

**The role of experiential knowledge in foreign market commitment:
A process perspective on the internationalisation of
Australian services SMEs**

A thesis submitted for the degree of Doctor of Philosophy
of The Australian National University

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Signed Statement of Originality

The work presented in this thesis, is to the best of my knowledge my own work, except as acknowledged in the text. The material has not been submitted, either in whole or in part, for a degree at this or any other university.

A handwritten signature in cursive script, appearing to read "Genrikh Salata", is positioned above a horizontal line.

Genrikh Salata

Abstract

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The Uppsala internationalisation model established some foundations for research in international business. But since the introduction of this internationalisation process model in mid-1970s, the business environment has changed significantly. It is important to reflect on how these changes affect the interplay between experiential learning and foreign market commitment, a key plank in the Uppsala model. This thesis focuses on a core assumption that underlies the model: that a high degree of foreign market commitment results from rational decisions that firms take during a learning process based on complete knowledge and information. In 2009, the protagonists of the Uppsala model offered a much more nuanced perception of a firm's learning process, when they stressed that firms rely of a wider range of relationships, interactions and contexts that impact on their accumulation of experiential knowledge. Some studies have used proxy variables to capture this process through variance-based quantitative analysis. This thesis uses a process approach, conceptualised on the basis of several theories to understand the complexity of the learning process that underlies the internationalisation of firms.

The true process approach to studying the internationalisation of the firm has been neglected for some time and the field of international business studies had been dominated by variance-based studies. Inevitably, this has led to a situation where 'we see far too many "rigorous" studies with little originality and, at best, a marginal contribution', as Johanson and Vahlne (2014: 173) expressed it. The process approach conceptualised, developed and applied in the analysis in this thesis may be a better

instrument to understand causal relationships between experiential knowledge accumulation or learning and foreign market commitment, as well as other internationalisation processes that take place over periods of time. This research is focused on the micro-foundations of internationalisation attempts of firms. These processes are analysed in light of relevant spatiotemporal context. The findings document the key aspects of the internationalisation process without devoting the analysis to what Outhwaite (1987: 7-12) has labelled the positivist 'law-explanation orthodoxy'.

Instead, this thesis relies on abductive reasoning and longitudinal case studies to contextualise learning processes and changes in such processes over a period of time throughout the internationalisation process. It analyses the internationalisation of seven Australian services SMEs in order to provide causal explanations for a specific sequence of critical events that influenced the foreign market commitments of these firms. An additional methodological contribution of this thesis is the implementation of content analysis, clustering and multidimensional scaling of the contents of interviews, which accounts for relevant context without undermining the scientific explanation and rigour of the approach.

By studying case histories and the chronology of critical events in the internationalisation attempts of these firms, we demonstrate that an accommodating learning style is most closely associated with the foreign market commitment of firms. Nonetheless, experiential learning is dynamic in nature and often requires decision makers to touch all bases of the learning cycle. As expected, the key sources of knowledge are relevant business and people-to-people networks, as well as prior learning experiences of decision makers that often go beyond the lifespan of the firm.

Experiential learning is found to be a context-dependent process that is utterly complex in nature. The thesis demonstrates how critical events trigger experiential learning as well as explain what the decision makers learn as part of this learning process. Rather than measuring the stock of experiential knowledge, the thesis demonstrates how learning processes alter individual perceptions of foreign market opportunities. The findings reconfirm that change processes (i.e. experiential learning, building business networks and trust) are continuous, while market commitment decisions (i.e. market

entry mode, degree of internationalisation) are intermittent. These findings precisely challenge the results of variance-based studies that rely on limited firm-level indicators to capture and analyse experiential learning processes.

This thesis builds on the call of Johanson and Vahlne (2014) to broaden our understanding of the practice of the internationalisation of firms by focusing on the behavioural aspects of human decision-making, such as the role of business networks and trust. To date, there are few studies that explain what exactly is learnt as part of the internationalisation process and how this information and/or knowledge actually affects foreign market opportunity recognition. Experiential knowledge remains the pivotal aspect of the internationalisation process and this research helps to conceptualise and operationalise relevant theory and provide causal explanations.

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CHAPTER 1: INTRODUCTION

“We need to be armed with existing theories, but not blinded, nor bound, by them. We need to listen to the surprises we encounter in the field, rather than imposing existing theoretical categories on the fragments of data we are assembling. Then, when our existing theoretical assumptions break down, we need to read widely and beyond the immediacy of our own field, to provide theoretical ballast for an alternative explanation.”

(Welch, Nummela, & Liesch, 2016: 789)

1.1 Introduction

The purpose of this PhD thesis is to synthesise the practice and theory of international business, identify concepts that are most relevant to studying the internationalisation of firms, challenge the assumptions of variance-based literature in this field and present a process-centred enquiry. In effect, the epigraph to this thesis sums up the undertaking of this research. The objective of this thesis is in line with the plea of Vahlne and Johanson (2014: 159, 173) to ‘improve the relevance of empirical research in the international business area’, which is achieved by studying complex micro-level events and using evidence collected through longitudinal case studies to build a more realistic set of assumptions about how decision making in companies impacts on the processes by which companies internationalise their operations.

The underlying reason for extending the discussion of the Uppsala internationalisation process theory is to assess the interplay between learning and commitment processes, and, develop a better conceptual understanding of this interplay mechanism (see Liesch, Nummela, & Welch, 2013; Welch et al., 2016; Welch & Paavilainen-Mäntymäki, 2014). The Uppsala internationalisation theory is certainly one of the most frequently cited in the internationalisation literature. Regardless of the fact that it was first introduced over 40 years ago, this thesis argues that the underlying principles outlined

by Johanson and Vahlne (1977) remain valid today. In particular, the theoretical assumption that ‘learning by experience results in a gradually more differentiated view of foreign markets’ (Johanson & Vahlne, 2015: 1415).

1.2 Internationalisation defined as a process

This thesis adopts the definition of ‘internationalisation’ of Welch and Luostarinen (1988: 36) – ‘the process of increasing involvement in international operations’. This definition is supported by the notion that analysing the process is just as important as studying the stages of international development. Welch and Luostarinen (1988) therefore raised the importance of longitudinal studies, the impact of individuals on the evolution of the firm, de-internationalisation as well as inward and outward trade flows. Their definition helps to account for the complexity of the internationalisation decision-making. Building on it, this thesis argues that successful internationalisation is defined by the decision-makers’ ability to learn and accumulate relevant experiential knowledge (in line with Johanson & Vahlne, 1977; Johanson & Vahlne, 1990, 1992, 2003, 2006; Johanson & Wiedersheim-Paul, 1975). As such, the internationalisation process consists of two main sub-processes: experiential learning¹ and commitment building².

1.2.1 ‘Experiential knowledge’ and foreign market commitment interplay – the key mechanism of the internationalisation

Effectively, ‘experiential knowledge’ is the driving force of the firm’s internationalisation. The importance of the knowledge-commitment cycle is obvious and instinctive, and yet there is now a handful of studies that provide empirical evidence in relation to this dynamic change mechanism (see the discussion in Section 2.3.2 and in Welch and Paavilainen-Mäntymäki (2014) in particular). Nevertheless, the discussion of the international business strategy is still disproportionately focused on macro-level investigations deploying sophisticated statistical analysis. These are

¹ Johanson and Vahlne (1977: 28) defined experiential knowledge as ‘critical kind of knowledge in the present context’, it presents ‘the framework for perceiving and formulating opportunities’ as it allows an individual to form a ‘feeling’ about how foreign market opportunities fit into the current and future context.

² The 1977 model defined ‘commitment building’ as a firm-level incremental expansion of foreign market operations.

certainly valid, but do not allow for a careful assessment of the micro-foundations of learning and the relevant complex of micro-level events that impact of the internationalisation process. As Vahlne and Johanson put it: ‘we see far too many “rigorous” studies with little originality and, at best, a marginal contribution’ (Vahlne & Johanson, 2014: 173).

The importance of studying processes³ was reinstated with the special session ‘About Time: Putting Process Back into Firm Internationalisation Research’ at the 2013 Academy of International Business Conference and the follow-up focused issues of the *Management International Review* in October 2013 and December 2016 (see Welch et al., 2016; Welch & Paavilainen-Mäntymäki, 2014). Similarly, the 2014 special section of the *International Business Review* also revived the importance of studying the role of knowledge and learning in company internationalisation (see Pla-Barber & Alegre, 2014). The studies in this new strand of international business literature emphasise the importance of history, behavioural rather than neoclassical assumptions, the need to account for time and hermeneutics (cf. Buckley, 2016; Fletcher & Harris, 2012; Hurmerinta, Paavilainen-Mäntymäki, & Hassett, 2016). The timing and purpose of this thesis is synchronous with these renewed calls to explore the process underpinnings of the 1977 Uppsala model.

1.2.2 *The 1977 Uppsala model – processual vs stages-centred interpretations*

There is a disconnect in understanding the 1977 model as a stage or the process model and it is important to draw this distinction to clarify the scope of this study. Welch et al. (2016: 788) explain that empirical observations are often mistaken as a theoretical model. The reception and operationalisation of the Uppsala theory as a stage model focuses primarily on the observation that firms develop in the domestic market and then take incremental steps to internationalise. This observation is based on a sample of over

³ Welch and Paavilainen-Mäntymäki (2014) explained that process theory should explain an interdependent chain of events leading to internal change that is not captured by variance studies.

Process-centred research most commonly unfolds in three main stages: 1. Identification of the key events taking place; 2. Identification of the sequences and sub-sequences of events that occur over a period of time as well as how they are related; 3. Explanation of the sequences of events in terms of the causal mechanisms or overall patterns (Abbott, 1990; Buttriss & Wilkinson, 2014; Chandra, 2007; Van de Ven & Poole, 2005). This is explained in detail as part of Chapter 3.

2,000 subsidiaries of Swedish multinationals (Vahlne & Wiedersheim-Paul, 1975). The four stages were identified as follows: Stage 1 – Occasional Exports; Stage 2 – Independent Sales Agent; Stage 3 – Controlled Subsidiary; Stage 4 – Physical Presence or Wholly Owned Subsidiary.

This empirical observation led to a number of studies that focus primarily on stages models and show that there is no identical internationalisation path across companies. However, there is no agreement on the interpretation and the number of internationalisation stages provided in these studies (Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Reid, 1981). The timeframe of the internationalisation also differs with evidence suggesting that new firms move through the stages faster and/or even skip these stages (Forsgren, 1989, 2002; Newbould, Buckley, & Thurwell, 1978). These discrepancies can be resolved by turning to the process nature of the internationalisation. As an example, firms can exploit experience in similar markets (Barkema & Drogendijk, 2007) and the growth of their internationalisation ‘is a result of its ability to use, combine and develop resources’ (Johanson & Vahlne, 2003: 8). But, considering the process nature of the internationalisation, Welch et al. (2016: 792) point out that ‘this resource base is particular to the firm and perceptions of its managers’. Inevitably, this takes us back to the key mechanism of the internationalisation process – the interplay between ‘experiential knowledge’ and firm-level foreign market commitment.

1.3 Practice-oriented research: gap-spotting and problematisation

The initial intention of this thesis was to map out the internationalisation journey of Australian firms in the European Union (EU) and the apparent overreliance on the United Kingdom as a hub for accessing other EU member states – a practice-oriented research project. The preliminary discoveries led to the insight that the Australian firms, unlike firms in Commonwealth counterparts, had only a limited exposure to and knowledge of the European Single Market. Consequently, this discovery led the research project to reconsider Johanson and Vahlne’s 1977 model of knowledge development and increasing foreign market commitment, which is part of the theoretical basis of this thesis. The reality of international business operations observed in the field did not support the overly simplistic linear relationships, stage models and proxies for key aspects of these models that are used by many empirical studies of

company internationalisation. The search for a more practical explanation as to what is ‘experiential knowledge’ and how exactly it impacts on the decision-maker’s opportunity recognition, which then determines the firm-level commitment of resources, appeared to confirm the views expressed in Welch et al. (2016: 789) that this mechanism ‘has not been empirically tested or further developed conceptually’.

Spotting a gap in the existing theoretical literature that then sustains an empirical study is insufficient for process-focused research examining the internationalisation of firms (Liesch et al., 2013; Middleton, Liesch, & Steen, 2011). Even so, it is important to identify the extent of the academic literature in this field. There are less than 40 empirical studies that analysed the internationalisation of firms as a process and very few of these studies attempt process theorising to explain why and how certain patterns occur (Welch & Paavilainen-Mäntymäki, 2014: 11). Further, De Clercq, Sapienza, Yavuz, and Zhou (2012) elaborated that out of 37 studies on early internationalisation (born-globals, international new ventures) – 24 surveys are predominantly focused on data collected at one point in time and only about 10 use in-depth case studies based on interviews. Lastly, Rosenbaum and Madsen (2012) analysed empirical literature on professional services firms (PSF) over the past 20 years. They found 14 empirical articles that look at the entry mode choice for the PSFs. Out of these 14 studies, just 6 look at the role of networks and no studies examined experiential learning and its influence on market entry decision-making.

1.3.1 The crisis of language – ‘experience’ vs learning from experience?

This thesis utilises the problematisation methodology to challenge existing assumptions in the literature on the internationalisation of companies and make a tangible contribution to the practice of international business (Alvesson & Sandberg, 2011). Specifically, there is a ‘crisis of language’ in the international business field – the vast majority of studies are unable to distinguish between ‘experience’ and ‘learning from experience’. The human cognitive cycle model by Atkinson and Shiffrin (1968) shows a clear distinction between the two constructs. The perception of sole ‘experience’ relates directly to the sensory memory where external or internal stimuli is received prior to interpretation/creation of meaning by an individual/decision-maker (Baars & Franklin, 2003). Experiential knowledge is about organising ‘experience’ into meanings through associations, schemas, working and long term memory as well as conscious and

unconscious processes (Chase & Simon, 1973; Chi, Feltovich, & Glaser, 1981; Kirschner, Sweller, & Clark, 2006). Then, slight variations in experiential knowledge (long-term schemas) will unconsciously guide to a different response under uncertainty (Ericsson, 2008; Ericsson & Charness, 1994; Ericsson & Kintsch, 1995). Learning is supported by the relationship between working and long-term memory, whereas experience relates primarily to the internal or external stimuli (Nadkarni, Herrmann, & Perez, 2011).

This thesis intends to show that learning from experience is different from experience. Therefore, it is very appropriate to move beyond the variance-based studies that rely on proxy variables and assume that learning processes occur. The exposure to information by itself does not imply learning. This view is supported by Burgoyne (1995: 61) who explains that knowledge (tacit and affective knowledge, articulated cognitive knowledge) is 'learned through the active interpretation of experience by the learner'. Moreover, Kolb (1984: 41) explains that '... knowledge is created through *the transformation of experience*. Knowledge results from the combination of grasping and transforming experience.' There are obvious synergies with the latest publication by Welch et al. (2016: 790) who argue that 'information is not knowledge ... it needs to be processed, learnt, absorbed and acted upon'.

The descriptive framework used in this thesis to examine experiential knowledge (i.e. Kolb's Experiential Learning Theory, ELT) is based on the argument that learning is best conceived as a process and not a behavioural outcome. ELT defines experiential knowledge as a process of transforming experience into knowledge, which in turn modifies ideas and actions of individuals over a period of time (Kolb, 1984). Kolb (1984: 41) identified four basic learning styles that are associated with different approaches to learning, which are described in Section 2.5.1 as part of Chapter 2.

1.4 The evolution of research related to experiential knowledge and internationalisation

International business research related to experiential knowledge can be classified into three categories. First, the group of studies that operationalise knowledge/learning by considering 'experience' in its broadest sense, relying on the assumption that 'learning by doing' takes place but without demonstrating how this mechanism works (Andersson,

Gabrielsson, & Wictor, 2004; Barkema, Bell, & Pennings, 1996; Benito & Gripsrud, 1992; Chetty & Campbell-Hunt, 2003; Cui, Li, & Li, 2013; Erramilli, 1991; McNaughton, 2003). The issue is that these studies do not operationalise 'experience' in the same manner. And they seek to capture 'experiential knowledge' in a very mechanical way, relying primarily on proxy measures and without actively demonstrating what is being learnt. For example, the proxy measures include: overseas work or overseas educational attainment experience (Cui et al., 2013), percentage of international to total sales (Andersson et al., 2004), number of export markets (McNaughton, 2003), number of previous expansion experiences (Barkema et al., 1996; Benito & Gripsrud, 1992; Davidson, 1980), employees located overseas (Coviello & Munro, 1997), number of years engaged in internationalisation and geographic scope (Erramilli, 1991), increasing market commitment (Luo & Peng, 1999). Further, Barkema and Drogendijk (2007) rely on the degree of internationalisation as a proxy for the 'experiential knowledge', assuming a linear relationship between experience and market commitment. This paper has been quoted frequently as demonstrating that firms gain experiential knowledge/learning through the internationalisation process, even though it does not answer what exactly firms learn (Dau, 2013; Keen & Wu, 2011).

The second group of studies introduce a broader operationalisation of 'experience' to account for the sources of experience, business and social networks and well as other contextual factors. This approach is supported by the work of Eriksson, Johanson, Majkgard, and Sharma (1997) and Eriksson, Majkgard, and Sharma (2000b), which operationalises 'experiential knowledge' by capturing the potential sources of business knowledge (subsidiaries, corporate agreements abroad, clients, market and competitors), institutional knowledge (language, laws, norms and values in foreign markets), and internationalisation knowledge (foreign experience, unique knowledge/competence). Eriksson et al. (1997); Eriksson, Johanson, Majkgard, and Sharma (2000a) have established a stronger basis for further experiential knowledge research. Their work demonstrates that there is conflicting evidence on an assumed positive relationship between experiential knowledge and foreign market commitment. When experiential knowledge is operationalised to account for broader aspects of foreign business environment, it undermines the underlying assumption of a necessarily positive relationship between knowledge and foreign market commitment.

The third group of studies looks at ‘experiential knowledge’ as a process – prioritising the exploratory, deductive and abductive reasoning. These studies address de-internationalisation of firms, variations to market commitment over a period of time, as well as, post-entry development and adaptation (see Chandra, 2007, 2017; Johanson & Vahlne, 2006, 2009; Karlsen, Silseth, Benito, & Welch, 2003; Lamb & Liesch, 2002; Nummela, Loane, & Bell, 2006; Welch & Welch, 2009). Welch and Paavilainen-Mäntymäki (2014) demonstrated that the studies addressing these issues are a minority and called for a renewed research specifically in this area. It is critical to study not only macro-level entry modes (temporal states of the firm) but also consider micro-level processes that underpin the firm-level change (i.e. experiential learning of the key decision-makers).

The 1977 Uppsala model never actually demonstrated the relationship between experiential knowledge and foreign market commitment: ‘we also *assumed* [emphasis added, author] that learning by experience results in a gradually more differentiated view of foreign markets’ (Johanson & Vahlne, 2009: 1415). Provided that the experiential learning and foreign market commitment interplay is the key mechanism of the internationalisation process, it is important to challenge the assumptions about experiential knowledge and further develop our conceptual understanding of the process. This PhD thesis sets out to research questions based on the problematisation approach. Its underlying purpose is to test the driving mechanism of the 1977 Uppsala model in light of its legacy in understanding the process of company internationalisation.

1.5 Research aims

In response to Welch and Paavilainen-Mäntymäki (2014) and Welch et al. (2016) this thesis will specifically analyse the processual and dynamic nature of the internationalisation of Australian services small and medium sized enterprises (SMEs). It is evident that the calls for a process-centred approach to studying internationalisation of firms have generally been ignored. Because the Uppsala model did not provide a framework to assess experiential knowledge, the current state of internationalisation (market commitment) of a firm is widely used as a proxy for knowledge. While using proxy measures for experiential knowledge is convenient, this does not solve the inconsistencies in the predictions of the existing internationalisation

theories, for example the Uppsala incremental internationalisation model, innovation-related internationalisation models, systematic planning and contingency perspectives. Therefore, this thesis will analyse the micro-foundations of learning with reference to key decision-makers in firms as the unit of analysis and also Kolb's Experiential Learning Theory.

The process theory of the interaction between experiential knowledge and market commitment is still evolving today (Fransson, Håkanson, & Liesch, 2011; Johanson & Vahlne, 2003, 2009; Vahlne & Johanson, 2013). The recent revisions of the Uppsala internationalisation model reaffirm that experiential learning and commitment building are the key sub-processes driving the internationalisation of firms. Professional services firms have been the subject of increasing interest. However, little is actually known about their accumulation of experiential knowledge and its relation to their internationalisation processes (Brown, Dev, & Zhou, 2003; Contractor, Kundu, & Hsu, 2003; Knight & Kim, 2009; Knight & Liesch, 2002; Nummela et al., 2006). Similarly, the literature on early internationalising firms (born globals, international new ventures) does not directly examine what such firms have learned and most studies tend to infer learning from other data (Bingham & Eisenhardt, 2011; Child & Hsieh, 2014; De Clercq et al., 2012; Svensson & Payan, 2009).

Di Gregorio et al. (2009: 972) highlight that the difference between services and manufacturing firms 'is particularly important in the context of SMEs and their internationalisation efforts'. Services have the following four characteristics that are distinct to manufactured goods: '(1) intangibility (i.e., the fact that services cannot be touched, are difficult to measure, and exhibit uncertain quality ex ante); (2) perishability (i.e., the fact that companies typically cannot store surplus services); (3) inseparability of production and consumption of service output; and (4) heterogeneity in outputs, resulting from a high degree of service customization and specialization (Aharoni, 1993; Erramilli & Rao, 1990).' (Di Gregorio et al., 2009: 972). Section 2.4.2 will provide a detailed discussion of the key characteristics of professional services firms: knowledge intensity, knowledge tacitness, and professionalisation of the workforce.

Chapter 2 will further provide a detailed review of the research questions and the corresponding literature (see Section 2.6.1 in particular).

1.6 Method

1.6.1 *The rationale for a process approach*

The key limitation of the variance-based studies is their inability to explain the firm's movement from one internationalisation stage to another. Variance-based studies tend to characterise firms into different stages without explaining the underlying reasons for internationalisation-related change in the sample of firms, or the salient differences between firms in the sample that are entirely similar in all respects except the degrees to which they have internationalised their operations. The use of proxy measures does not help to synthesise the already fragmented field of IB with a 'constellations of labels used to describe essentially the same phenomena ... and ... constellations of researchers that use their own unique labels in this field' (Svensson & Payan, 2009: 406). This PhD thesis argues that when studying the internationalisation process it is particularly important to adapt an event-driven, rather than outcome driven theoretical explanation (see Aldrich, 2001). At the 2013 Academy of International Business conference Vahlne (2013) openly criticised the dominance of variance approach in international business research and stated that the 'research topic should not be simplified too much to allow for prevalent statistics methods'.

There is an increasing body of literature that calls for the use of the process approach in internationalisation research (Aldrich & Martinez, 2007; Coviello & Jones, 2004; Jones & Khanna, 2006; Jones & Coviello, 2005; Liesch et al., 2013; McAuley, 2010; Middleton et al., 2011; Welch & Paavilainen-Mäntymäki, 2014; Zahra, 2005). Welch and Paavilainen-Mäntymäki (2014: 2) found that most studies 'have not taken a processual approach that incorporates time, dynamism and longitudinal observations'. And this has been the case for quite some time, as it was already noted by Kutschker, Bäurle, and Schmid (1997) who argued that the field of international management is dominated by static studies.

Process-based studies look at an interdependent chain of events leading to internal micro-level change (Welch & Paavilainen-Mäntymäki, 2014). A processual account of the internationalisation incorporates a broader range of contextual factors impacting on the evolution of the firm, which makes it harder to achieve a solid conformity across cases. The keys to process studies are longitudinal and time-based explanations that can

demonstrate intra-mode micro-level change as well the firm-level change during the course of the internationalisation process (Butler, 1995; Jones & Coviello, 2005; Liesch, 2013; Middleton et al., 2011).

1.6.2 In-depth case studies and case history timelines

This thesis utilises multiple case study analysis in an attempt to understand the contextual factors that impact on the process of firm internationalisation and the experiential learning of key decision-makers in particular. Welch and Paavilainen-Mäntymäki (2014: 16) reaffirm that case studies are well-suited to obtain ‘retrospective and real-time insights’ in this area of research. Further, to place time at the centre of enquiry, this thesis presents seven timelines depicting the chronology of events that led to a specific learning and internationalisation outcomes for each case.

This thesis reviews the internationalisation process of the following seven Australian services firms: SYPAQ, Aspen Medical, Sterian, Recruitment Systems, Straker Translations, eWater, XP Solutions. Each case timeline will demonstrate a causality between specific micro-processes and the impact on the decision-makers perception of the foreign market opportunity. Interviews were conducted with key decision-makers within each firm. A follow-up phone interview was conducted within 3-6 months for six out of seven case studies and one case was followed in detail 2.5 years after the initial study. Aspects of longitudinal research were captured in this thesis through the study of archival data, which helped to capture information depicting processual change over time. The sampling process targeted firms that are still undergoing the internationalisation process and/or were targeting new untapped markets, which also minimised problems associated with the respondents’ memory recall.

1.6.3 Sequence analysis of interview narratives

Sequence analysis method was adapted from genetics to social science by Andrew Abbott in the 1980s (see Abbott, 1990, 1995; Abbott & Tsay, 2000; Levine, 2000; Macindoe & Abbott, 2004). In view of the fact that ‘a speech unrolls inside time’, sequence analysis can capture time in its explicit and implicit form (Blanchard, 2011: 3). It is already widely used in sociology, political science, to review biographies, personal histories and processes of individual development (Aisenbrey & Fasang, 2010). The key steps involved in sequence analysis are as follows: 1. assigning a sequence (code) to each

unit of analysis; 2. calculating the distance matrix between the sequences; 3. cluster analysis of the distance matrix (Biemann & Datta, 2014). Section 3.4.4 provides a detailed review of this method with relevant sequence/code and narrative examples.

This thesis makes an important contribution by placing time and context at the centre of the internationalisation process research through longitudinal case studies, narrative analysis and sequence analysis methods. As part of this undertaking, the sequence analysis reviewed over 60,000 words, 1,738 frequencies and 77 codes. This process identified a key cluster consisting of 14 codes the relationship between which is discussed as part of the findings of this research (see Section 5.3.8).

1.7 Contribution of the thesis

1.7.1 Guidelines for practitioners

The key contribution of the thesis is a detailed time-sensitive assessment of the internationalisation pathways of seven Australian services SMEs. This serves as the evidence base for a holistic understanding of the experiential learning - foreign market commitment mechanism, as will be discussed in Chapter 5. The findings will show that an extensive overreliance on one learning mode can lead to overconfidence and that it is important for key decision-makers to touch all different bases of learning to minimise the level of risk that a firm exposes itself to when internationalising its operations. At the same time, the thesis will demonstrate that the accommodating learning style is certainly most dominant amongst the key decision-makers that are driving the internationalisation strategy of the firm.

The analysis of the internationalisation-related decision making is grounded in bounded rationality. And the decision-makers' references to intuition, 'gut feel' and emotions are closely associated with the notion of accommodating learning. It is critical to understand how this intuition is formed and what the learning processes are that predate the current perception of the foreign market opportunity. This will be achieved by deconstructing a timeline of critical events, relevant learning and internationalisation-related outcomes (see Figures 5.1 – 5.7). The timelines depict the common strategies utilised by the decision-makers, the key sources of knowledge as well as the relevant situational context that impacts on the internationalisation process at that time.

The practice and policy of international trade/investment facilitation will benefit from understanding the specific constraints faced by the Australian services firms (Sections 5.2.1-5.2.7). In particular, the focus should be directed to enabling the knowledge transfer process between the key actors in the host and home countries. Inevitably this requires a granular understanding of the capabilities offered by the firms. Importantly, there is no evidence to suggest that bilateral and regional trade agreements are in a direct sense changing the way in which decision-makers are exploring foreign market opportunities. The thesis will show that decision-makers perceive firm-level market entry mode merely as a technical element that formalises an existing opportunity. The

decision-makers invest a far greater effort in building formal and informal business networks as well as trust between the colluding parties. Therefore, export/investment facilitation agencies should focus program delivery efforts on activities leading to the recognition, discovery and operationalisation of relevant foreign market opportunities.

1.7.2 Theoretical and methodological contributions

This thesis will contribute to the process theory of the internationalisation by examining the concept of experiential knowledge in its 'naturalistic context' and assessing the efficacy of theory on the basis of the practice of international business (in line with Piekkari, Welch, & Paavilainen, 2009: 569). Reviewing the micro-foundations of learning, with reference to the Kolb's Experiential Learning Theory, will help to refine existing theory and understand what is learnt by the key decision-makers as part of the internationalisation process. This thesis will review historical patterns depicting the formulation of experiential knowledge at the key decision-makers' level. This thesis will reconfirm that change processes (experiential learning, building business networks and trust) are incremental, while market commitment decisions (market entry mode, degree of internationalisation) are intermittent. In effect, the ambition of this research is to demonstrate that the true process nature of the 1977 Uppsala model is still relevant in the context of the internationalisation of Australian services firms today. This research will then help to encourage future studies to synthesise the understanding of the key driving mechanism of the 1977 Uppsala model (i.e. the interplay between experiential knowledge and foreign market commitment) in light of its process-centred underpinnings.

This thesis advances a process approach to studying the internationalisation of firms by utilising the sequence analysis method. The sequence analysis of narratives can help to identify patterns that exist between events/sequences from complex data. It is a useful instrument for the study of the patterns of company internationalisation and strategic change over time. This also helps to overcome the difficulties in conceptualising and measuring processual data. Any sources of data depicting a change of phenomena are suitable for sequence analysis, as long as the data are systematically collected over a period of time (Blanchard, 2011). This thesis is potentially the first attempt to integrate sequence analysis method in the field of international business.

Future research should distinguish between ‘experience’ and ‘learning from experience’. Access to information or experience do not necessarily lead to knowledge. Studies need to demonstrate what exactly key decision-makers or firms learn as part of this process.

1.8 Thesis structure

This thesis consists of six chapters: an introduction and a brief overview of the research context (Chapter 1); an in-depth review of the literature that informed the research questions of this study, explanation of relevant learning theories and the proposed conceptual framework (Chapter 2); discussion of the process-centred vis-à-vis variance-based enquiry and introduction of the sequence analysis method (Chapter 3); case descriptions and characteristics of the firms that participated in this research (Chapter 4); followed by the discussion of the key findings of this study, in reference to the internationalisation timelines outlining the key learning outcomes as well as internationalisation-related developments, as well as the review of the patterns identified through the sequence analysis (Chapter 5); the thesis will conclude by revisiting the research questions, identifying the key learning outcomes and contributions to the theory and practice of international business (Chapter 6).

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This research explores the concept of experiential learning of Australian professional services firms and its role in the process of the internationalisation of these firms. The international business literature provides several internationalisation process models. However, none provides a sufficient explanation of what exactly firms learn throughout the internationalisation process and how that shapes their strategic decisions. The aim of this chapter is to provide a focused review of relevant theoretical and empirical work in international business literature to draw attention to the gaps that are addressed by this research. The conceptual framework that is presented based on this literature review will provide a better understanding of the experiential knowledge concept, which is the key mechanism underpinning the internationalisation process of firms.

This chapter begins with an overview of the roots of the internationalisation process literature. The Uppsala model is the dominant framework, which was developed 40 years ago for manufacturing companies. The Uppsala model evolved from the behavioural theory of the firm. However, it does not explicitly consider key decision-makers as a primary source of experiential knowledge. Innovation-related internationalisation models, systematic planning and contingency perspectives on firm internationalisation evolved after the Uppsala model, mainly to address inconsistencies in the internationalisation path of firms. These frameworks are discussed to illustrate that experiential learning remains the pivotal assumption in the internationalisation process of firms. The contingency perspective draws greater attention to key decision-makers and managers by looking at small and medium sized enterprises (SMEs), which is in line with the focus of this research.

This chapter will address contemporary internationalisation studies since 2000 that moved away from the analysis of manufacturing firms and consider a broader range of factors affecting learning and internationalisation process of firms. Finally, the study will discuss absorptive capacity theory as an example of organisational level routines that could contribute to knowledge, and contrast this approach with micro-level processes that contribute to individual-level experiential knowledge. The context of small and

medium-sized enterprises, international new ventures and professional services firms is discussed in Section 2.4.

The evolution of internationalisation literature is covered to illustrate the interaction between various approaches that explain the internationalisation process of firms. There are multiple intersections between internationalisation theories, all of which are important to understanding the key success factors to the internationalisation of SMEs and professional services firms (PSFs).

This research aims to understand what is experiential learning and its exact role in the internationalisation process of firms. Section 2.5 will draw on the discussed internationalisation literature in order to define the experiential learning concept. To improve our understanding of the experiential learning this chapter presents the Experiential Learning Theory (ELT) from learning and education discipline. This study not only applies the ELT, but also looks at how learning is captured by other theories. The overview of several learning theories supports that the experiential knowledge resides at an individual level, which is complementary to the operationalisation of this study.

This chapter concludes with a section on research conceptualisation, where internationalisation theories are connected with the ELT to provide a better grasp of experiential learning construct. This will also assist in studying internationalisation as a learning process. Propositions and research questions will be presented as a reflection on the research gaps outlined throughout the chapter. The literature review clearly illustrates the need for a better understanding of the experiential learning and its role in the internationalisation process of PSFs.

2.2 Internationalisation Process Models

2.2.1 Uppsala Internationalisation Model

The main framework to conceptualise learning in the internationalisation of firms, within international business literature, is the Uppsala model. This model is focused on one key aspect of organisational learning: learning through own experience (experiential learning). The original (1975-7) Uppsala model was based on Aharoni's (1966) behavioural theory and the inductive studies of Swedish multinational firms. The argument is that firms tend to start their internationalisation in psychically close

markets⁴ while gradually moving to more distant markets in other countries, consequently increasing investment and risk (Johanson & Vahlne, 1977). This behaviour can be explained as a process of balancing uncertainty and experiential learning. Accumulation of experiential knowledge has an uncertainty-reducing effect which in turn facilitates the commitment of a firm to a foreign market and thus the internationalisation process of the firm (Johanson & Vahlne, 2009). The Uppsala model underwent several revisions. However, the main principles remain the same (Johanson & Vahlne, 1977, 1990, 2006, 2009; Johanson & Wiedersheim-Paul, 1975; Vahlne & Johanson, 2013). The internationalisation process is perceived to consist of two main sub-processes: experiential learning and commitment building. As suggested by Vahlne and Johanson (2013), these two sub-processes form a firm-level capability to identify opportunities and mobilise relevant resources – this process is called internationalisation of the firm. Internationalisation is highly diverse and context-specific, what the decision-makers perceive as psychically close markets depends ‘on the experiences made by critical people in the firm’ (i.e. experiential knowledge) (Johanson & Vahlne, 2009; Vahlne & Johanson, 2013: 195).

The original Uppsala internationalisation process model was first introduced by Johanson and Vahlne (1977) to identify elements that are commonly shared by firms engaging in international operations. The model built on work by Johanson and Wiedersheim-Paul (1975), who for the first time studied company internationalisation in a European context, while prior research had concentrated on the analysis of American firms. Johanson and Wiedersheim-Paul (1975) offered inductive studies of four Swedish multinational firms. Then, Johanson & Vahlne (1977) explained ‘how’ internationalisation unfolds by reviewing 2,000 subsidiaries of Swedish multinationals. They identified four internationalisation stages (foreign market entry modes): (1) occasional export activities; (2) regular export through independent sales agents; (3) export sales through a controlled foreign subsidiary venture; (4) creation of production or manufacturing capacity in a foreign country. These internationalisation stages are examples of foreign market commitment of a firm. The study did not seek to explain why firms internationalise and/or what key decision-makers learn as part of the internationalisation process.

⁴ See page 21 for a definition and discussion of the psychic distance.

Unlike the behavioural theory of the firm, the Uppsala model does not explicitly incorporate the managerial or decision-making perspective in any of the four stages. The three phases of the investigation process as described by Aharoni (1966) – Phase I: General Indicators, Phase II: On-the-Spot Investigation, Phase III: Presentation – were not included in the interpretations of internationalization theory by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977). The Uppsala model is focused on internationalisation outcomes and pays little attention to decision making as a process (Liesch, 2013; McAuley, 2010; Welch & Paavilainen-Mäntymäki, 2013). Consequently, the managerial perspective on internationalisation, including aspects of individual-level decision-making are ignored in the international business literature (Aharoni, 2010). The evolution of IB research diverged from Yair Aharoni's continuing calls to focus on decision-makers' unique abilities and limitations such as overconfidence and bias.

The theoretical argument of Johanson and Vahlne (1977) is that foreign market commitment is determined by the firm's knowledge of a foreign market opportunity at a given point in time. This is based on the assumption that internationalisation is a result of incremental decisions within a firm, where the aims are to maximise long-term profit and minimise the perceived risks. Johanson and Vahlne (1977: 27) said: 'the model assumes that the state of internationalization affects perceived opportunities and risks which in turn influence commitment decisions and current activities'. Their 'state of internationalisation' concept incorporates two aspects: 1. The current foreign resources/market commitment; 2. Knowledge of foreign markets and operations. The Uppsala theory assumed that the knowledge of foreign market opportunities is developed as a result of accumulated market commitment, which then will initiate decisions/actions.

Johanson and Vahlne (1977) defined market commitment not only as the firm's resources located overseas, but also the commitment of its home production capability to foreign markets. As such, market commitment is theoretically presented as a broad context-dependent measure where it is essential to understand the exact nature of the firm. As an example, a managerial decision to relocate operations overseas in 5 months would be considered as a form of market commitment, although, there might be no assets located overseas at this stage. The more specialised the resources are to a foreign market, the greater is the degree of commitment.

At the same time, Pauwels and Matthyssens (1999: 13) argued that the international business literature evolved towards a three-dimensional of conceptualisation market commitment. The first dimension is the amount of economic resources allocated to a specific market and resource-specificity (structural exit barriers). The second dimension is attitudinal (material and immaterial) support by the top managers for a particular market (Gundlach, Achrol, & Mentzer, 1995). The third dimension is a snowballing process of market commitment, where it can become a self-justifying process without any link to the external business environment or internal organisational priorities (Gundlach et al., 1995; Pauwels & Matthyssens, 1999; Ross & Staw, 1993).

The Uppsala model referred to several kinds of knowledge; the most general definition of knowledge provided by the researchers is in line with Carlson (1974): knowledge relates to 'present and future demand and supply, to competition and to channels for distribution, to payment conditions and the transferability of money, and those things vary from country to country and from time to time'. Johanson and Vahlne (1977) stressed the importance of identifying the source of knowledge and how it is acquired. They distinguish between 'objective knowledge' and 'experiential knowledge'. Objective knowledge can be taught, whereas experiential knowledge can only be learnt through experience.

The Uppsala theorists rely on Penrose's (1966) definition of experiential knowledge as follows: 'much of the experience of businessmen is frequently so closely associated with a particular set of circumstances that a large part of a man's most valuable services may be available only under these circumstances' (Penrose, 1966: 53 in Johanson & Vahlne, 1977). Further, the scholars believe that experience itself cannot be transmitted, it produces a subtle change in individuals and cannot be separated from them. They argue that the experiential knowledge will make people feel or perceive a market opportunity in a specific manner. Johanson and Vahlne (1977: 28) believe that experiential knowledge is most critical in the marketing of 'complex and soft-ware-intensive products' – thus, this might also be applicable in economic sectors beyond manufacturing industry.

Lastly, the Uppsala argumentation refers to general and market-specific knowledge. General knowledge is familiarity with the common characteristics, such as certain types of customers, production processes, etc. Market-specific knowledge includes aspects of business environment, cultural patterns and individual customer characteristics. While

general knowledge can be transferred between markets, market-specific knowledge is specific to its geographical location and can be gained mainly through experience. The explanations of market-specific knowledge and experiential knowledge provided by Johanson and Vahlne (1977) are somewhat synonymous. The theorists also argue that there is a 'direct relation' between experiential/market-specific knowledge and market commitment (Johanson & Vahlne, 1977: 28).

Since the Uppsala model did not provide a dedicated instrument to assess knowledge, the current state of internationalisation (market commitment) of a firm has been used as a proxy for knowledge in follow-up studies (for a detailed review of these studies see Section 2.5). Additionally, Johanson and Vahlne (1977) argue that the state of internationalisation (market commitment and knowledge) hypothetically affects the firm's perceived opportunities and risks. In other words, a greater market commitment might reflect a perception that the opportunity is high and the risk is low.

A large number of international business studies (e.g. Andersson et al., 2004; Barkema et al., 1996; Benito & Gripsrud, 1992; Chetty & Campbell-Hunt, 2003; Erramilli, 1991; McNaughton, 2003) proposed that experiential knowledge is positively related to a firm's market discovery/commitment, relying on the underlying assumptions of a linear relationship between knowledge and market commitment by Johanson and Vahlne (1977). Nonetheless, Hohenthal, Johanson, and Johanson (2003: 670) claimed that market discovery is still 'a strangely neglected area in the international expansion literature' because the majority of studies looked simply at the antecedents and consequences of market discoveries during internationalisation. By contrast, Hohenthal et al. (2003) argued that internationalisation is far from systematic and that the linear development is often interrupted by unexpected discoveries. For these reasons Hohenthal et al. (2003) proposed that a deeper understanding of learning can explain the changes in the pace and orientation (market destination) of firms' internationalisation.

The original Uppsala internationalisation model (1975-7) was often criticized for being too deterministic and irreversible; yet, Johanson and Vahlne (1977) had no intent to explain all internationalisation patterns and only hypothesised the role of experiential knowledge. Similarly, Johanson and Wiedersheim-Paul (1975: 307) – which forms the basis of the most cited 1977 article – mentioned that firms do not always follow the whole internationalisation establishment chain and jumps are possible for firms with

extensive experience. The 'international establishment chain' refers to the sequence of four different internationalisation stages (no regular export activities, export via agent, sales subsidiary, production/manufacturing).

The Uppsala model is only a simplified pattern, where differences between the four stages are exaggerated while in practice it is not always obvious when a firm moves from one stage to another (Johanson & Wiedersheim-Paul, 1975: 307). Not surprisingly, at the time when the Uppsala model was introduced, the evidence showed that firms do not necessarily follow an identical internationalisation path (Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Reid, 1981).

The Uppsala theorists argued that throughout the internationalisation process some firms establish subsidiaries in more distant markets at an early stage, while others prefer to establish activities in host countries with a low psychic distance to the home country (Davidson, 1980; Erramilli, 1991). Psychic distance is defined broadly as factors that prevent the flow of information between firm and the market, such as differences in language, culture, political system, level of education, etc. (Johanson & Wiedersheim-Paul, 1975: 24). If higher psychic distance negatively affects the flow of information, it will also negatively affect learning.

Even then, the psychic distance argument is operationalised differently in the original Uppsala paper and consequent internationalisation studies. Some studies assess psychic distance by looking at the decision-maker's prior knowledge, while others measure the construct using national level data (Van Ruth, 2008). Johanson and Vahlne (2003) indicated that experiential knowledge will reduce the perceived psychic distance between markets.

The timeframe of moving through the internationalisation stages also differs, depending on the firm. The original Uppsala study illustrated that newer companies take less time to move up the establishment chain. Several studies examined 'leapfrogging' through the stages of internationalisation. However, none of the studies on firm internationalisation agree as to what factors determine the varying degrees to which firms commit themselves to markets or recognise opportunities (Forsgren, 2002; Hedlund & Kvernland, 1985; Millington & Bayliss, 1990). Looking back at the Uppsala model argumentation one could argue that jumps across the internationalisation stages are due to extensive experience.

Abbott (1990) argued that analysing sequences of social events or organisational behaviour is a major methodological problem in general. This research views internationalisation as a process – a sequence of social events (e.g. learning through business networks) which results in a specific organisational behaviour. Internationalisation is a good example where researchers cannot agree on the most dominant force behind foreign market commitment, although Johanson and Vahlne (1990) claim that experience is indeed the main driving force. This is due to a difficulty in conceptualisation and measurement of data that are used to capture a sequence of events or actions ('sequence data') (Abbott, 1990). The major challenge in studying company internationalisation is to identify patterns and features (subsequences of events) that are common to longer sequences of internationalisation (change in market entry mode, the amount of resources invested, etc.). An example of such subsequences might be specific actions taken by key decision-makers to facilitate learning, where researchers can identify what has been learned and why this information is important (see Section 2.3.2 for an example of a sequence study). If there is no common sequence of learning, there must be certain subsections or interdependencies in learning patterns that occur prior to the market commitment stage.

This subsection discussed the development of the Uppsala internationalisation model and the main assumptions on the role of knowledge in internationalisation that are underpinned by the difficulties in capturing the experiential knowledge construct. While the empirical evidence is largely based on the study of firms in the manufacturing sector, the general applicability of experiential knowledge is also valid for firms engaged in the marketing of complex and less tangible products. The next subsections will discuss the common aspects of internationalisation models that were introduced after the Uppsala model.

2.2.2 Innovation-related internationalisation models

Since the Uppsala model did not account for a broad range of paths followed by internationalising firms, international business literature presents alternative propositions for examining the internationalisation process of firms. In a survey of the relevant literature, Li, Li, and Dalgic (2004) grouped theoretical frameworks on

internationalisation process of firms as follows⁵: 1) Experiential learning: the Uppsala model (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) and innovation-related internationalisation models (Bilkey & Tesar, 1977; Cavusgil, 1980, 1984; Cavusgil & Sikora, 1987); 2) Systematic planning (Johansson & Yip, 1994; Miller, 1993; Yip, Biscarri, & Monti, 2000); 3) Contingency perspective (Coviello & Munro, 1997; Jones, 1999; Welch & Welch, 1996).

Throughout the literature review, Li et al. (2004) illustrate that the above-mentioned approaches, despite their important contributions, do not provide a convergent understanding of the internationalisation process of firms. To explain this further, and to see whether learning and/or managerial processes are captured as part of the internationalisation of firms, the following sections will address alternative frameworks developed subsequent to the Uppsala model.

Bilkey and Tesar (1977), Cavusgil (1980), Reid (1984), Czinkota (1982) offer several 'innovation-related internationalisation models'. The innovation-related models address a firm's internationalisation process as an innovation/adaptation. The internationalisation process unfolds when a firm tries to solve strategic, structural and human resource dilemmas (Lam & White, 1999). These models differ to the Uppsala model in the interpretation and the number of internationalisation stages they present.

Innovation-related models focus mainly on exporting activities and concentrate on explaining the motivations behind the decision to conduct business across borders. These models also describe the internationalisation process of a firm by relying on various stages, which is illustrated by the Table 2.1 below.

⁵ Please refer to Appendix A for a table summarising the theoretical variations on firm internationalisation.

Table 2.1: A review of Innovation-Related Internationalisation Models

Bilkey & Tesar (1977)	Czinkota (1982)	Cavusgil (1980)	Reid (1981)
<p>Stage 1: Management is not interested in exporting</p> <p>Stage 2: Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of active exporting</p> <p>Stage 3: Management actively explores the feasibility of active exporting</p> <p>Stage 4: The firm exports on an experimental basis to some psychologically close country</p> <p>Stage 5: The firm is an experienced exporter</p> <p>Stage 6: Management explores the feasibility of exporting to other more psychologically distant countries</p>	<p>Stage 1: The completely uninterested firm</p> <p>Stage 2: The partially interested firm</p> <p>Stage 3: The exploring firm</p> <p>Stage 4: The experimental firm</p> <p>Stage 5: The experienced small exporter</p> <p>Stage 6: The experienced large exporter</p>	<p>Stage 1: Domestic marketing: The firm sells only to the home market</p> <p>Stage 2: Pre-export stage: The firm searches for information and evaluates the feasibility of undertaking exporting</p> <p>Stage 3: Experimental involvement: The firm starts exporting on a limited basis to some psychologically close country</p> <p>Stage 4: Active involvement: Exporting to more new countries – direct exporting – increase in sales volume</p> <p>Stage 5: Committed involvement: Management constantly makes choices in allocating limited resources between domestic and foreign markets</p>	<p>Stage 1: Export awareness: Problem of opportunity recognition, arousal of need</p> <p>Stage 2: Export intention: Motivation, attitude, beliefs, and expectancy about export</p> <p>Stage 3: Export trial: Personal experience from limited exporting</p> <p>Stage 4: Export evaluation: Results from engaging in exporting</p> <p>Stage 5: Export acceptance: Adoption of exporting/ rejection of exporting</p>

Source: Adapted from Andersen (1993).

Bilkey and Tesar (1977) and Czinkota (1982) argued that firms go through 6 stages. They agreed that at Stage 1 firms are unwilling to participate in export activities and

have minimal interest in active exporting at Stage 2. However, the other 4 internationalisation stages in the first two models have greater differences and yet remain incremental in nature. On the other hand, Cavusgil (1980) and Reid (1981) claimed that internationalising firms go through 5 stages. They discussed a sample of companies that have taken an active role in searching for feasible export opportunities with a consecutive expansion into a greater offshore market.

Innovation-related models pay a greater attention to pre-internationalisation (i.e. Stage 1-2 in Table 2.1), when compared to the Uppsala model. Andersen (1993) hypothesised that a jump from Stage 1 to Stage 2 in the models by Bilkey and Tesar (1977) and Czinkota (1982) is due to a 'push' mechanism (external change/agent). However, the progression from Stage 1 to Stage 2 in Cavusgil (1980) and Reid (1981) is due to a 'pull' mechanism (internal change/agent) that provides the initial incentive to internationalise (Andersen 1993). These models differentiate the source of the initial internationalisation decision and the incentives to start exporting. A more contemporary paper by Lam and White (1999) emphasised the role of managerial choices in studying organisational internationalisation path instead of a strong firm-level focus. Overall, it is clear that these studies attempted to account for a broader range of contextual factors that influence firm's internationalisation process than the original Uppsala model.

The innovation-related internationalisation models illustrate that there is a large number of variables that play an important role in theorising firm internationalisation, which makes it problematic to develop a complete process internationalisation model. Andersen (1993) concluded that neither Uppsala, nor innovation-related models explain how internationalisation begins and how experiential knowledge of foreign markets affects the commitment of resources by firms to foreign markets.

Since the innovation-related models do not agree on the exact internationalisation path, it can be argued that the variations in internationalisation stages illustrate differences in strategic decision-making processes and that some of which can be explained by assessing the experiential knowledge concept. Oviatt and McDougall (1997: 93) claimed that the limits of existing internationalisation models lie in experience, which is broadly defined as 'knowledge ... vested in the decision making system' (Johanson & Vahlne, 1977: 26). This is similar to the empirical findings of Leonidou (1995), which demonstrate that firms at the same internationalisation stage do not perceive internationalisation obstacles

in the same way and will not react in the same manner. This scholar draws attention to the importance of particular managerial and environmental forces that prevail in each firm.

Oviatt and McDougall (1997) suggested that a traditional view of incremental and risk-averse internationalisation (i.e. Johanson & Vahlne, 1977) is challenged by the changing market conditions: 'Perhaps, the inevitability of international operations is so obvious and the experiential knowledge of foreign markets is sufficiently present among entrepreneurs that the incremental steps emphasised in traditional internationalisation theory are unnecessary' (Oviatt & McDougall, 1997: 93). As a solution, the authors suggest a closer look at International New Ventures. Oviatt and McDougall (1994: 49) defined 'International New Ventures' (INV) or 'born-globals' 'as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries'. The discussion in the born-global/INV literature indeed pays a greater attention to pre-export behaviour (Chandra, 2007), which is in line with the focus of innovation-related internationalisation models (see Section 2.4 for further discussion on early internationalising firms).

The relevance of knowledge in the internationalisation process of the firm is most prominent at the roots of the INV literature. If foreign market experience of an entrepreneur is generally greater than in earlier periods of the firm history, and if experience indeed explains accelerated moves into foreign markets, then the Uppsala model is reinforced (Oviatt & McDougall, 1997: 96). Further, Madsen and Servais (1997) argued that the underlying assumptions of the internationalisation process of born-global firms are similar to the Uppsala Model.

By looking at the innovation-related internationalisation models, this section argued that even if researches account for a greater variation of internationalisation stages, this still does not explain why some companies choose not to follow the prescribed internationalisation path.

2.2.3 Systematic planning models, contingency perspective and other approaches to the firm's internationalisation process

Systematic planning models present an extremely rational approach and do not consider key decision-makers who assess internationalisation information on the basis of their current knowledge. As suggested by Root (1987), Miller (1993) and Yip et al. (2000) the internationalisation process is a rational outcome of the company's relevant motivation, market research and strategic planning. The systematic planning models rely on the rationality, viability and availability of market information. The value of lengthy systematic planning is challenged by Li et al. (2004) on the basis of the experience of many firms with rapid early internationalisation in the context of a turbulent business environment. As such, there is no strong empirical evidence to support systematic planning internationalisation scenarios. The behavioural perspective of firm decision-making shows that relevant decisions are made simultaneously. Further, the internationalisation process is significantly driven by the key decision-makers within the firm who assess decisions, set objectives and entry modes rather than organisational routines.

The contingency perspective takes a closer look at the role of contextual factors (operating environment, internal firm factors, etc.). It pays a greater attention to the key decision-makers within the firm and managerial behaviour. The internationalisation of the firm is presented as a chaotic process dependent on internal and external contextual factors. Most of the contingency perspective studies look at small and medium-sized enterprises (e.g. Jones, 1999; Li et al., 2004; Welch & Luostarinen, 1993) in a broad range of industries. Coviello and Munro (1997), as an example, argue that internationalisation of software companies is affected by informal business networks that facilitate an accelerated internationalisation process (the role of networks and its relation to the Uppsala model is discussed below in Section 2.3).

Literature on international entrepreneurship, INVs and born-globals partly evolved from the contingency perspective. The so-called born-global/INV phenomenon was meant to explain the notion of accelerated internationalisation. The born-global firms/INVs are very much reliant on accelerated internationalisation (Knight & Cavusgil, 2005) and there is a significant support that these are being 'new' type of venture (Autio, Sapienza, & Almeida, 2000; Knight & Cavusgil, 2004; McNaughton, 2003; Sharma & Blomstermo, 2003). But, there is also opposing evidence stating that 'born-global' is a

classification error since these ventures 'are not really new, except in a legal entity sense, because prior knowledge is retained and adapted; prior relationships, contacts, and energies may be brought forward; and resources of prior ties can be accessed and utilized' (Chandra, 2007: 148). This evidence supports an argument that internationalising firms still follow an evolutionary internationalisation path, which is evident if researchers account for prior historical context (e.g. Jones & Khanna, 2006; Madsen & Servais, 1997). Evidence on the learning process of early internationalising firms will be discussed in Section 2.4.

These different models of the internationalisation process (Uppsala incremental internationalisation model, innovation-related internationalisation models, systematic planning and contingency perspectives) are interrelated and try to address the issues that were not resolved in earlier studies. Melin (1992) argued for a holistic approach to studying the internationalisation process, regardless of the boundaries between disciplines, to account for a high degree of complexity, uncertainty and change over time. The author stressed the need to study strategic decision-making process of the firm by focusing on institutional, social and the sectoral context. The process of 'symbolic interaction and sensemaking' (as described by Melin (1992: 105)) is an integral part of the internationalisation of firms and requires a different set of methodologies that can capture what happens within the firms and inevitably involves relationships, people and key decision-makers.

Li et al. (2004: 97) summed-up that the internationalisation process arguments developed in line with the historical trends and dynamism of the international business environments. In the 1970s – 1980s, fragmented international markets, lack of foreign experience and basic information technology correspond to the experiential learning perspective. During the 1980s – 1990s, closer integration of international markets, advances in information technologies and greater availability of information led to the development of the systematic planning perspective. Arguably, the digital revolution led to more rapid market responses and certain market entry modes became more appealing. Even so, the success of internationalisation attempts still relies on managerial skills and the ability to source and interpret relevant information (i.e experiential learning) (in line with Melin, 1992: 107). Li et al. (2004) associated the late 1990s with market volatility, liberalisation of national economies and argue that this prodded scholars to develop the contingency perspective that reinstated the role of experiential knowledge. That is not to

say that these arguments do not overlap across various internationalisation periods, which is conceptualised in what Li et al. (2004) called the 'Hybrid Model of Internationalisation Process'.

Since there is no convergent understanding of firm internationalisation, the Hybrid Model aims to reconcile experiential learning and systematic planning perspectives on SMEs internationalisation. The model presents three internationalisation process phases: antecedents, planning, and execution. The antecedents phase include motivation (market seeking, customer following, technology acquiring) and corporate competence (technology, innovation capabilities, international experience and entrepreneurship). The planning phase consists of generating general knowledge through market research, selection of entry mode and market location. The execution phase determines the level of involvement of firms in foreign market and the risks they perceive, which are determined by the entry mode and psychic closeness of the market. The Hybrid Model incorporates feedback loops between the three internationalisation phases (execution, motivation, planning) and internationalisation can stop at any of the three phases. The experiential learning and systematic planning models are complementary in explaining the internationalisation process of firms (Li et al., 2004). The approach taken by Li et al. (2004) shows that internationalisation process of firms should not be studied in isolation, regardless of the main model that is used.

The next section will outline the development of the internationalisation literature which is most relevant to explaining the role of experiential knowledge.

2.3 Contemporary studies on the role of experiential knowledge in the internationalisation process

The previous section explained that the Uppsala model states that foreign market-specific knowledge, general knowledge and experiential knowledge are prerequisites to a firm's successful internationalisation (Johanson & Vahlne, 1977, 1990, 2003, 2009; Pehrsson, 2008; Vahlne & Johanson, 2013). It is generally accepted that experiential knowledge increases the likelihood of foreign market commitment through FDI (Thomas, Eden, Hitt, & Miller, 2007). Experience, in a broad meaning of this term, is likely to improve a firm's ability to predict risks in a foreign business environment, which will reduce uncertainty and increase the likelihood of a higher degree of international market commitment (Cui et al., 2013). Studies focused on organisational structures that

could help firms to assimilate general knowledge (Li et al., 2004; van den Bosch, Volberda, & de Boer, 1999) and individual/managerial experiential knowledge (Tan & Meyer, 2010). Firm-level organisational structures are viewed as an outcome of managerial knowledge absorption. Organisational structures arguably outlast individuals, and therefore can represent knowledge accumulated in the past (Eriksson et al., 1997). One approach to studying experiential learning is to analyse organisational structures. Nonetheless, knowledge itself is based at the level of individuals, as argued by Crossan, Lane, and White (1999). That is why in times of uncertainty, and/or to compensate for the lack of experiential knowledge, individuals turn to vicarious learning and this explains firms seek partnerships/alliances as part of adaptive learning process (Baum, Li, & Usher, 2000).

Eriksson et al. (1997) studied services firms and argued that there is conflicting evidence on a positive relation between experiential knowledge and increasing foreign market commitment. The study assessed experiential knowledge on the basis of a questionnaire-based survey, aggregating responses to survey questions into constructs. Their 'knowledge' constructs include *business knowledge* (subsidiaries, agreements abroad), *institutional knowledge* (language, laws, culture) and *internationalisation knowledge* (unique competence that cannot be transferred between firms or business units). The authors claimed that these are valid measures of theoretically deducted constructs. The empirical findings illustrate that the lack of firm-specific internationalisation knowledge positively affects the perceived cost in internationalisation only indirectly through experiential market knowledge (business knowledge and institutional knowledge) (Eriksson et al., 1997). At the same time there is no direct relation between internationalisation knowledge and perceived costs/risks of the internationalisation process. The findings suggest indirect positive effects of lack of internationalisation knowledge on the perceived costs. Eriksson et al. (1997: 352) stated that the findings are inconclusive and further work is necessary on modelling and measurement of 'perception of costs' and 'knowledge'. Nonetheless, it is evident that various types of knowledge are inter-reliant and together the lack of knowledge positively affects the perceived costs of internationalisation.

A follow-up study (Eriksson et al., 2000a) assessed the relationship between various types of knowledge and variation/diversity (variation in geographical scope of international business, choice of foreign market entry modes). The empirical findings

suggest that variation has a strong positive effect on internationalisation knowledge - which is complementary to the assumptions by the Uppsala model regarding a positive relationship between experiential knowledge and psychic distance of a market. Business and institutional knowledge, on the other hand, do not have a significant effect on the perception of psychic distance.

Sharma and Blomstermo (2003) conducted a detailed review of the use of time and knowledge in the internationalisation literature. They concluded that internationalisation research uses the notion of duration and time in three different ways: (1) as a predecessor of knowledge; (2) as measurement of knowledge; (3) as outcome of knowledge. While linear accumulation of knowledge is the most widely used approach in internationalisation literature, they argued that the 'learning process is path-dependent and unique for every firm' (Sharma & Blomstermo, 2003: 64). The notion of duration and time is very abstract and complex, which makes it difficult to measure it and explain its influence on experiential knowledge. In practice, knowledge accumulation is discontinuous, which should be considered in future internationalisation research (as argued by Liesch, 2013). Sharma and Blomstermo (2003) also concluded that longitudinal and empirical research on the notion of experiential knowledge is very sparse. Longitudinal research is therefore important because it is the only way to analyse time better.

Some international business research is operationalised in a way that did not address experiential knowledge and relied on proxies that may not actually capture the relevant perception of what knowledge is. As an example, Barkema and Drogendijk (2007) did not clarify the 'experiential knowledge' concept and relied instead on the degree of internationalisation as a proxy, assuming a linear relationship between experience and market commitment. This paper has been quoted by research groups to illustrate that firms gain experiential knowledge/learning through the internationalisation process (e.g. Dau, 2013; Keen & Wu, 2011). Yet, what exactly firms learn remains unanswered.

The degree of internationalisation, as a proxy for experiential knowledge, is used by internationalisation studies of multinational enterprises. Even so, the degree of internationalisation measure was not designed to reflect knowledge/learning constructs. Sullivan (1994) was one of the first to propose five main measures that gauge the degree of internationalisation: overseas subsidiaries as a percentage of total subsidiaries, foreign

sales as a percentage of total sales, foreign assets as a percentage of total assets, psychic dispersion in international operations and top managers international experience. But these five measures of degree of internationalisation consider the outcome of the decision-making process and do not address the experiential learning process. At the time, Sullivan (1994, p.339) agreed that 'we lack the multiplicity of dissimilar, empirical measures'.

Another example is Barkema et al. (1996), which simply used the logarithm of all foreign expansions and the logarithm of the number of expansions in the same host country as a measure of experiential knowledge. Arguably, this approach provides an arbitrary and artificial treatment of contextual role of experiential knowledge in the learning process of a firm, leaving the academic understanding of the internationalisation of firms imperfect.

Li (2010: 45) criticised studies such as Barkema and Drogendijk (2007) that assume that path-breaking internationalisation is a result of anything to do with prior or current knowledge. Furthermore, the innovation-related internationalisation models, systematic planning, and the contingency perspective studies (discussed in Section 2.2) suggest that path-breaking internationalisation takes place because of knowledge and Eriksson et al. (2000b) has argued that there is no empirical research that explicitly investigated this issue. This criticism is still valid because international business literature still largely neglects the strategic choice by proactive managers and potential risk-taking or opportunistic behaviour by entrepreneurs who take cross-border expansion as an opportunity to explore new knowledge (Jones & Coviello, 2005; Li, 2010). Explicit studies of experiential knowledge and internationalisation path dependence are important to avoid exploiting the assumptions and provide sufficient empirical evidence explaining firms internationalisation process (Eriksson et al., 2000b).

Quantitative research on how firms foster processes of learning in internationalisation is sparse (Sandberg, 2013). The reason is that there is a lack of readily operational measures of experiential learning. It is difficult to construct the criteria for item selection, reliability and validity of construct measures. As illustrated by Ramaswamy et al. (1996: 167): 'Researchers examining these issues have tended to choose measures based on data availability rather than conceptual reasoning. ... further refinement of the construct is necessary before constructing indices'.

Leading studies in this area concentrate on qualitative methods and use the case study method. For example, Johanson and Vahlne (2003) conducted a single case study of NMCT pharmaceutical company to examine the role of networks and relationships in forming experiential knowledge. Their study took account of the 'real time' learning experience of NMCT and carefully examined the relevant contextual detail. Their suggested model argues that companies learn in relationships, which enables them to internationalise. The authors stated: 'the subtle understanding of the market can never be replaced by general market information and surveys' (Johanson & Vahlne, 2003: 90). Since then, there have been few attempts to generate a better understanding of how firms use experiential knowledge in order to inform their internationalisation process. Further review of the literature that looks at internationalisation as a process, in line with the 2013 call for a renewed research in this area, is presented in Section 2.6.

The latest permutation of the Uppsala model puts a strong focus on networks as a source of experiential knowledge (see Johanson & Vahlne, 2009). Vahlne and Johanson (2013) argue that experiential knowledge cannot be easily internalised and therefore it is important for firms to coordinate and control the development of business networks. This argument also undermines studies that use organisational structures to examine knowledge without considering managerial/individual-level aspects.

It is not that this latest permutation of the Uppsala model evolved in a vacuum. In fact, the significance of business networks, especially as a source of experiential knowledge, is stressed in many contemporary studies (Chetty & Agndal, 2007; Ellis, 2000; Forsgren, 2002; Johanson & Vahlne, 2006; Sandberg, 2013). It is important for the key decision-makers to build trust with relevant parties before any knowledge transfer may take place (Vahlne & Johanson, 2013). Trust-building is essential before a firm can draw on contacts within the business network to acquire relevant knowledge and increase its success. Vahlne and Johanson (2013: 198) claimed that this is a gap in international business literature: 'how firms can build trust is not dealt with at all'.

Through their business networks managers can access information and resources, that otherwise would be unattainable from other sources, by relying on the expertise and knowledge of already experienced actors (Granovetter, 1973). Delios and Beamish (1999) reinforced the importance of experiential knowledge, which can be accumulated on the basis of experiences through specific relationships. In the process of

internationalisation, networks are continuously established and maintained by people in line with the objectives of a firm. Knowledge of these specific relationships in a network rests with people, it is often tacit in nature and cannot be easily transferred.

This section outlined that experiential knowledge is a central concept in international business. Experiential knowledge mostly resides at an individual level and only in some cases can be captured by organisational structures/routines. Nonetheless, little is known about what exactly is learnt through the internationalisation and what learning processes constitute the experiential knowledge.

2.3.1 Absorptive Capacity Theory

The ability to adapt to the dynamics of the business environment and proactively respond to change is captured by absorptive capacity theory. It is based on the studies of organisational structures/routines and thus relates to research that view such routines as an outcome of managerial knowledge absorption, and/or, help to assimilate firm-level knowledge. Absorptive capacity is defined as a set of organisational routines, which allow the firm to 'acquire, assimilate, transform and exploit knowledge' (Zahra & George, 2002: 186).

Greater market knowledge in general allows firms to reduce uncertainty. The Uppsala model suggests that the lack of knowledge is the underlying reason for uncertainty and high risk perception. According to Cohen and Levinthal (1990: 136), the 'prior knowledge underlies the absorptive capacity... [and] in an uncertain environment it affects expectation formation'. The concept of absorptive capacity is similar to experiential knowledge as both indicate that knowledge development is a cumulative process (Johanson & Vahlne, 2009: 1417).

Yet, under certain conditions prior market experience is not a necessary requirement for market knowledge. Market uncertainty is expected to rise irrespective of past experience as a result 'of a structural change in market conditions' (e.g. new competition) or unforeseen political changes (Johanson & Vahlne, 1977: 30). Thus, the firm-level absorptive capacity might not always have an uncertainty reducing affect.

Absorptive capacity theory evolved from research into organisational learning. The theory accentuates the importance of dynamic capabilities of the firm in an attempt to expand on the resource-based view (Barney, 1991). The resource-based view of

competitive advantage looks at the link between a firm's internal characteristics/resources and performance. The resources of the firm include human capital resources such as 'expertise, judgement, intelligence, relationships, and insight of individual managers and workers in a firm' (Barney, 1991: 101). A firm's ability to create and utilise knowledge (absorptive capacity) is a prerequisite for maintaining a competitive advantage in turbulent market conditions (Zahra & George, 2002). The argument of Zahra and George (2002) can also be applied to internationalisation and the ability of the firm to maintain or establish offshore operations.

The four dimensions of absorptive capacity are similar to the Uppsala internationalisation stages at the conceptual level. This is because each dimension/stage of the absorptive capacity model is focused on the outcome and associated with a greater degree of 'experience' or capability. The acquisition capability (stage 1), under the absorptive capacity model, refers to the ability to acquire external knowledge which is critical to a firm's operations. During the assimilation capability (stage 2) a firm will develop routines and processes to analyse and interpret information obtained from external sources. Transformation capability (stage 3) indicates the ability of a firm to refine organisational routines in line with existing and newly acquired knowledge. Exploitation capability (stage 4) is associated with the ability of the firm to improve or create new competencies through incorporating acquired and transformed knowledge. Exploitation is associated with internalisation of knowledge and incorporation of new intelligence into firm operations (Cohen & Levinthal, 1990; van den Bosch et al., 1999; Zahra & George, 2002).

The reconceptualization of the absorptive capacity model by Zahra and George (2002) distinguished between potential and realised absorptive capacity. Potential absorptive capacity relates to the first two stages of the model: acquisition and assimilation. Realised absorptive capacity relates to the later stages of development: transformation and exploitation (Zahra & George, 2002). The authors proposed to view absorptive capacity as a multidimensional and fluid path of knowledge acquisition. All of the dimensions 'build upon each other to produce a dynamic organisational capability' (Zahra & George, 2002: 188). This reconceptualization was introduced to reduce the ambiguity in empirical studies (Todorova & Durisin, 2007).

However, the follow-up publications challenged the theoretical foundations of the absorptive capacity model. As an example, Todorova and Durisin (2007: 775) argued that the transformation stage can act as an alternative to assimilation on the basis of cognitive psychology research (Todorova and Durisin, 2007). Consequently, this also challenges the distinction between realised and potential absorptive capacity. Contrary to Todorova and Durisin (2007), Jansen, Bosch, and Volberda (2005) provided empirical evidence supporting each of the four stages/dimensions of absorptive capacity as separate constructs.

The antecedents of absorptive capacity include prior knowledge, problem-solving skills, prior learning experience, language as well as other factors (Cohen & Levinthal, 1990). External knowledge sources include contractual agreements (internationalisation stages 1-2), inter-organisational relationships (such as joint-venture, internationalisation stage 3), commitment to research and development functions, etc. (Zahra & George, 2002). The absorptive capacity theory does not explicitly capture individual capabilities that constitute absorptive capacity (Todorova & Durisin, 2007: 783). Zahra and George (2002) identified individual capabilities as an important avenue for future research. The absorptive capacity theory draws mainly on organisational routines with little focus on micro-level processes that constitute learning (see the following Section 2.3.2 for a discussion of micro-processes and relevant research).

The ability of a firm to accumulate a wide range of different types of knowledge in a foreign market will determine its capacity to identify and exploit new opportunities (which is similar to ‘opportunity recognition’ concept in the Uppsala model) (Barkema, Shenkar, Vermeulen, & Bell, 1997; Cohen & Levinthal, 1990). Firm-specific knowledge is the main source of sustainable competitive advantage, which is also relevant to the internationalisation process of firms (Spender & Grant, 1996). A firm can exercise a proactive approach to internationalisation, where it acts on the basis of new information, while building upon the existing knowledge base. The ability of a firm to value, assimilate and apply the new information is defined as ‘absorptive capacity’ in the original version of the theory (see Cohen & Levinthal, 1990).

It is generally accepted that ‘absorptive capacity’, i.e. learning and deployment of a firm’s knowledge base, directly affects the level of international involvement or market commitment (Eriksson & Chetty, 2003; Gunawan & Rose, 2014; Madhok, 1997).

Spender (1996) identified three methods by which firms accumulate new knowledge: passive, active, and interactive. Passive knowledge can be obtained from seminars, journals, consultants and is generally addresses technical and managerial process. Active knowledge involved benchmarking, competitors' information and is mainly concerned with the capacity of other firms. Both passive and active knowledge are no longer a sufficient contribution to the new core competence that a firm seeks to develop for its internationalisation. Instead, some authors perceive firm-specific interactive or experiential knowledge to be critical in developing new capabilities for a successful internationalisation attempt (Cohen & Levinthal, 1990; Lane & Lubatkin, 1998; Spender, 1996).

Zahra and George (2002) proposed that future research looks at individual capabilities that constitute absorptive capacity. As such, the individual capabilities might lead to the specific firm-level absorptive capacity dimensions. For these reasons, this research project will use the ELT to capture the experiential knowledge and learning process of key decision-makers. As proposed by several researchers (Todorova & Durisin, 2007; Zahra & George, 2002), prior knowledge and knowledge source are prerequisite for organisational-level routines that might have specific dimensions of the absorptive capacity.

Because the absorptive capacity framework looks at knowledge acquisition to theorise how firms respond under uncertainty, this echoes studies discussed in Sections 2.2.2 and 2.2.3, where internationalisation path-dependency can potentially be explained as a learning process. Even so, the absorptive capacity concept does not explicitly explain the relationship between experiential learning and foreign market commitment. Furthermore, the absorptive capacity concept still masks serious problems in conceptualisation and measurement (Camison and Fores, 2010). For example, researchers commonly used a firm's R&D expenditure as a unidimensional proxy for this construct (Flatten et al. 2011). By using proxy measures researchers consider the outcome of the decision-making process and do not address the actual organisational learning.

This subsection provided another view of organisational-level structures that can capture knowledge, whereas the next subsection will argue that studying micro-processes will

help to capture individuals and their learning capabilities before experiential knowledge is accumulated as part of an organisational routine.

2.3.2 Micro-level processes as a source of experiential knowledge

Welch and Paavilainen-Mäntymäki (2014) identified the importance of studying micro-processes/subsequences of internationalisation. This echoes the suggestions by Abbott (1990) to use sequence methods, as part of process theory, in organisational behaviour research (see the discussion at the end of Section 2.2.1). The research on knowledge pays limited attention to micro-foundations of learning (individual-level learning) within an organization (Foss, Husted, & Michailova, 2010). Welch and Paavilainen-Mäntymäki (2014) provided several examples of the past studies that look at within-stage⁶ change, escalation of commitment and other internal changes as part of the internationalisation process of firms. Studies that link micro-processes/subsequences of internationalisation and learning will be addressed below.

Micro-foundations/micro-processes⁷ consider not only a phenomenon itself, but also the prerequisite events that may influence a phenomenon, or operate alone, depending on the context. Micro-foundations include: constituent components – individuals and processes; and, interactions – the interactions of individuals and processes that contribute to the emergence of the collective construct such as internationalisation and market commitment (cf. Felin, Foss, Heimeriks, & Madsen, 2012: 1353). Studying micro-level processes is associated with scientific reduction (Kincaid, 1997; as cited in Felin et al. 2012), where macro-level/collective phenomena is explained in terms of more fundamental components.

The macro-level phenomenon in the internationalisation process literature is the internationalisation establishment chain (stages of internationalisation and/or foreign market entry mode, see Section 2.2.1). The fundamental component of the internationalisation process, in line with the Uppsala Model assumptions, is the experiential knowledge and learning micro-processes. Studying micro-processes will improve the rigor of the internationalisation process studies and assess ‘the underlying components, or parts, of routines and capabilities, and their interactions, the mechanisms

⁶ Within-stage refers to the internationalisation stages discussed in Section 2.2.1

⁷ The terms micro-foundations and micro-processes are used interchangeably throughout this research.

connecting the parts to the collective constructs in time and space, and the boundary conditions for this line of enquiry' (Felin et al., 2012: 1355).

Experiential knowledge research should focus on micro-processes/micro-foundations of learning, where individuals are engaged in deliberate practice and examine whether this has a positive effect on the performance of specific tasks (Ericsson, 2008). Deliberate practice refers to domain-specific activities that are necessary for improved performance, in a broadest sense of this term. An example of active engagement in deliberate practice is playing the same piece of music twice in the same manner or selecting the best chess move for a position. Studying micro-processes is a difficult task and requires consideration of situational and cultural context in which internationalisation decision-making takes place. It is important to consider whether a singular 'expert' action was due to a unique set of circumstances or whether other 'non-experts' would be able to achieve a similar outcome. On the other hand, would a stable ability of an individual to handle specific situations reflect relevant experiential knowledge? In relation to internationalisation theory, this can be explored by studying individual learning preferences and micro-level learning processes that lead to market commitment.

The importance of studying micro-foundations of knowledge-based firm capabilities (e.g. competitive advantage, foreign market expansion) is also highlighted by Felin et al. (2012). The discussion of competitive heterogeneity is always closely linked to knowledge, but even then it is mostly studied at the level of development or internationalisation paths and 'almost never at the level of the human interactions that are the primary source of knowledge and knowledge transfer' as Argote and Ingram (2000: 156) argued. Felin et al. (2012) claim that micro-foundational studies of individuals and processes will advance the understanding of the differences in behaviour and performance of firms. Evidence by Oortwijn (2011) shows that managers have differing assessments (positive or negative perception) of the same host country conditions – mainly due to the variations in their experience and knowledge. This supports the earlier findings by Leonidou (1995), who shows that firms at the same internationalisation stage do not perceive internationalisation obstacles in the same manner and thus will react differently. Managerial or firm-level behaviour that cannot be explained by the current theories (see Buckley, Devinney, & Louviere, 2007) should not be treated as outliers when there is an opportunity to explain these variations using micro-level experiential learning processes.

2.3.3 Empirical findings of prior research on micro-processes of the internationalisation process of firms

Karlsen et al. (2003) argued that inward oriented activities (e.g. procurement of raw materials) provide opportunities for building relations with foreign actors and learning. Their study looks at knowledge creation in the context of interconnections between inward and outward oriented international operations. Inward activities rely on building relations with foreign actors who provide opportunities to learn about foreign activities. The knowledge acquired through these relations provides an important base for subsequent outward operations. Karlsen et al. (2003) conducted an in-depth single case study explaining events and dealings over a period of time. They looked at the development of operations in Russia by a Norwegian multinational company - Moelven Industrier ASA. The first outward internationalisation by Moelven is an indirect result of their inward activity in Russia. Limited level of imports from Russia started in 1987, which is about 10 years prior a turn-key project which took place in 1997. During this time Moelven gained experience about the entire logistics chain and the potential of Russian business partners. This knowledge was gained as a result of evaluating potential suppliers and transportation alternatives (specific micro-processes) for the imports of raw material from Russia.

Karlsen and colleagues (2003) conclude that while other international experiences of individuals are relevant to the international expansion, not all of it was directly transferable to the Russian context. The key decision-makers within the firm received no guidelines from the headquarters on how to formalise or transfer the knowledge gained. As a result, Karlsen et al. (2003: 393) argue that much of the experiential knowledge gained resided in the employees of the company and the transfer of this knowledge depended on the company's internal interpersonal network. Consequently, this case study suggests researchers to take a broader view of the processes involved in the internationalisation. Hidden incremental development of processes and experiential knowledge could potentially explain some of the 'leapfrogging'/path-breaking internationalisation or 'cases of the so-called 'born-global' phenomenon' (Karlsen et al., 2003: 394).

Pauwels and Matthyssens (1999) also studied sequences of events that lead to a change in the internationalisation of firms. They presented comparative case study analysis of four cases of export withdrawals⁸ by Belgian small and medium-sized enterprises (SMEs). The findings suggest that learning continues beyond export withdrawal and after the de-escalation of market commitment⁹. The international withdrawal process is triggered by soft signals and how managers perceive these signals, which shows the ambiguity of information during the decision-making process (Pauwels & Matthyssens, 1999: 31). This further supports the notion of a non-linear relationship between market commitment and experiential knowledge (as discussed earlier in this chapter).

Similarly, Nummela et al. (2006) studied the content of internationalisation change; they utilised a case study approach and focused on the internal change of three Irish SMEs. Their findings suggest that changes in SME internationalisation is multi-dimensional and context dependent. In some cases, a critical event not directly related to internationalisation might push a company to pursue foreign market opportunities and new learning (Nummela et al., 2006).

Park and Harris (2014) conducted a single case study of internationalisation strategy by Homeplus, a joint-venture between Samsung and Tesco, in Korea in 1999. The main framework for this research comes from a study by Felin et al. (2012) who argued that micro-foundations of learning lie within individuals, social processes and organisational structures, and also overlap across each of these categories. The findings highlight the importance of sharing distinctive knowledge between individuals and partners in order to achieve successful internationalisation. However in some instances, there were no formal processes in place to ensure the transfer of knowledge between Tesco and Samsung, which required managers to learn on their own. Homeplus managers used their own relationships to gain knowledge in ways that did not involve its partners. Further, Homeplus managers arguably had high levels of absorptive capacity as individuals, with limited organisational routines that support knowledge acquisition, and were able to

⁸ Pauwels and Matthussens (1999: 10) define market withdrawal as 'a firm's strategic decision to remove a product/market combination from its international portfolio' and it is different to a forced withdrawal which can be regarded as a reactive strategy/failure.

⁹ Pauwels and Matthussens (1999: 13) define market commitment as 'the tendency of organisations to persist with strategies in particular market'.

drive the learning themselves. Overall, this research uncovered deeper complexities of learning and the importance of various types of knowledge depending on the task at stake.

This subsection discussed the importance of studying the micro-foundations of learning where individuals stand at the source of knowledge.

2.4 The role of knowledge in early internationalising firms

This section will argue that small and medium-sized enterprises (SMEs), international new ventures (INVs) and professional services firms (PSFs) often share similar characteristics and their definitions can overlap. There is no uniform SME definition, it varies across countries and also varies across the Australian government departments. For the purposes of this research the official definition by the World Bank will be applied with the following criteria: 1. Less than 300 employees; 2. Total assets less than \$15 million; 3. Total sales less than \$15 million (qualifying under two of the three indicators is sufficient).

INVs are characterised by the speed of internationalisation (3-6 years) and the scope of international activities (number of countries entered, number of value chain activities) (McDougall, Oviatt, & Shrader, 2003). The born-globals are also characterised by the speed of internationalisation and the extent of international activities (> 25% of foreign sales and/or foreign sourcing) (Knight & Cavusgil, 2004; Madsen, 2013). While INVs and born-globals are treated as separate constructs by some researchers, Madsen (2013) suggested to use a more generalised definition instead.

Svensson (2006) argued that while there are some disagreements in terminology (INVs, born-globals, etc.), these different terms broadly refer to the same phenomenon. Svensson and Payan (2009: 406) proposed to collapse these terms into one concept 'early internationalising firms', because 'there are constellations of labels used to describe essentially the same phenomena of organizations that are international at their inception, and there are constellations of researchers that use their own unique labels in this field'. They maintained that learning during the internationalisation process is important regardless of the industry sector and company size; and, it is therefore necessary to consider a broader range of literature discussing the role of experiential knowledge/learning in the internationalisation process.

The literature on early internationalisation (i.e. born-globals, international new ventures, etc.) also makes inferences about learning and internationalisation, with a strong focus on individual/managerial level. This literature can be viewed as a continuation of the contingency perspective, discussed in Section 2.2.3. Research on early internationalising firms highlights learning as an important factor, but this literature also does not explain what exactly is learnt by firms/managers from prior experiences. According to De Clercq et al. (2012), out of 37 studies on early internationalisation, 24 are surveys and only 10 in-depth case studies based on interviews. Out of the 24 surveys, 19 are collected at one point in time and therefore this 'limits the ability to make causal rather than correlational inferences' (De Clercq et al., 2012: 157). Quantitative studies use proxies, such as percentage of foreign sales, firm-level characteristics (e.g. age) and organisational processes/routines that can be interpreted as knowledge-related measures. While learning literature indicates that organisational processes are learnt from experience, very little is known about what is actually learnt (Bingham & Eisenhardt, 2011). Bingham and Eisenhardt (2011) made an apt observation that: 'a striking feature of the learning literature is that it does not directly examine what is learned. Rather, most studies infer learning based on changes in outcomes'.

Child and Hsieh (2014) believed that in order to resolve this problem future research should focus on 'decision modes', the international experience of the key decision-makers and patterns of 'network attachment'. They define 'decision modes' as 'method and logic that SME leaders employ to go about reaching a decision to internationalize, either initially or to expand the scope of their existing international business' (Child & Hsieh, 2014: 599). The term 'network attachment' refers to social and business links that key actors access depending on the needs associated with internationalisation. In other words, Child and Hsieh (2014) recommend to look at the decision-making process, rationality and use of information by the key actors.

The current debate about relevance of experiential knowledge/learning to early internationalising firms can be extended to non-manufacturing companies. Apfelthaler and Vaiman (2012) conducted a review of all articles on services internationalisation published during 2000-2010 within the leading international business and management journals. The review showed that the research on internationalisation of services firms is lagging behind research on manufacturing firms. There is a consensus among international business scholars, that while early internationalising firms (some of which

are also services firms) have been the object of increasing interest, little is actually known with regard to experiential knowledge of these companies and their internationalisation process (Brown et al., 2003; Contractor et al., 2003; Knight & Kim, 2009; Knight & Liesch, 2002; Nummela et al., 2006). It should be noted that some services firms, due to their size, are categorised as SMEs.

2.4.1 The distinctive context of professional services firms

Business scholars assume that PSFs are distinct to other types of businesses and face very different business environments due to decreasing market entry barriers and increasing global competition. As an example, PSFs are distinct from other services firms because they provide knowledge-intensive soft-services that are highly intangible and customisable (Sharma & Johanson, 1987), based on professional skills, with little capital intensity (Erramilli & Rao, 1993; Rosenbaum & Madsen, 2012). The importance of having distinct theories of management, specifically for PSFs, is supported by many studies and also applies to the internationalisation process (Malhotra, Morris, & Hinings, 2006; Von Nordenflycht, 2010). These nuances of the operational environment of PSFs should be taken into account by management theories and only then researchers could theorise about the reasons behind rapid internationalisation and path-breaking internationalisation.

While the Uppsala internationalisation model can be applicable beyond the manufacturing sector, there is no strong empirical evidence that supports that. International business research is largely focused on the internationalisation of manufacturing firms while the attention to professional services firms (PSFs) remains very sparse (Brown et al., 2003; Knight & Kim, 2009; Knight & Liesch, 2002; Oortwijn, 2011; Scott-Kennel & von Batenburg, 2012). Merchant and Gaur (2008) reported that during 2003-2008 period only 4% of published international business studies looked solely at non-manufacturing sector. A similar literature review was also conducted by Netland and Alfnes (2007) and Knight (1999), who together conclude that during 1980-2005 period PSFs received minimal attention in the academic literature. Empirical studies on non-manufacturing sector are extremely limited, one third of the studies do not report their sample size, and the remaining studies have a sample size of less than two firms (Merchant & Gaur, 2008).

The importance of professional services production specifically, within the service sector, is also increasing. Growing competition makes internationalisation a necessary strategy to gain competitive advantage locally and expand into new foreign markets. Tight administrative controls, regulatory divergences and other non-tariff trade barriers make internationalisation a challenging endeavour for professional services firms (Hussey & Kenyon, 2011). Further, additional knowledge and capital requirements increase the level of risk associated with the international expansion.

Malhotra et al. (2006) exemplified that PSFs in accounting and legal sector face a much more rapidly changing external environment. The wider norms (institutional context, market context) shape the organisational forms of PSFs such as corporate structures and internal governance characteristics. As will be illustrated in the Section 2.5, some internationalisation studies use organisational structures as proxies for the experiential knowledge. This contradicts to the findings by Malhotra et al. (2006) who claimed that organisational/internal structures are affected by the external contextual environment and that it is important to trace the exact source of the variation in these internal structures. Malhotra et al. (2006) suggested that future researchers conduct micro-level analysis of changes to professional work, study sources of variation in organisational forms amongst the PFSs and span beyond national boundaries to include the internationalisation perspective.

Service internationalisation is too broad to be defined by one theory and requires an overlap of several theories, as the Uppsala stage model might not be sufficient for this task (Coviello & Martin, 1999). Similarly, Clark, Rajaratnam, and Smith (1996) suggested that due to the complexity of the context surrounding international services a single theory that has strong external validity probably may never emerge. According to Knight (1999: 351), this is indeed possible because there is no all-explaining theory on international entry for products either. Ball, Lindsay, and Rose (2008); Knight (1999) conclude that less resource-intensive modes of operation are most effective for service internationalisation. Consequently, market commitment (which reflects resource intensity, in accordance with the Uppsala model) does not necessarily capture greater/deeper experiential knowledge.

In brief, PSFs are distinct from manufacturing sector and thus it is important to derive externally valid theories on services internationalisation by looking into other literature domains (such as education and learning).

2.4.2 Defining professional services firms

The PSFs are characterised by two main criteria: relatively low involvement of physical goods in service production, and high degree of customer-producer interactions (Vandermerwe & Chadwick, 1989). Merchant and Gaur (2008) grouped services firms into five categories: 1. Professional services (accounting, law, consulting); 2. Banking, finance and insurance; 3. Travel and logistics services; 4. Technology; 5. Retail and wholesale trade. However, other categorisations also exist and there is no uniform rule on how to categorise services industry. As an example, some studies (Ball et al., 2008; Scott-Kennel & von Batenburg, 2012) simply applied PSFs categorisations that were used in prior research without clarifying the actual definition of the PSF. However, Von Nordenflycht (2010) showed that prior research cited a very large number of PSFs categories¹⁰. This indicates heterogeneity of the PSFs and the potential difficulty in generalising the findings for the internationalisation of services firms.

The exact meaning of the term ‘professional services firm’ can be a subject of debate and there is no clear industry classification (Apfelthaler & Vaiman, 2012: 1590). Von Nordenflycht (2010) reviewed 21 various definitions of PSFs and in most cases the commonly shared features can be identified as follows: 1. High knowledge intensity and low capital intensity; 2. A professionalised workforce; 3. Customised service offerings. Most importantly, PSFs are people- and process-oriented, with a strong reliance on tacit knowledge embodied at an individual/human level (Hitt, Beamish, Jackson, & Mathieu, 2007; Scott-Kennel & von Batenburg, 2012; Shukla & Dow, 2010).

Von Nordenflycht (2010) and Malhotra et al. (2006) argued that there are distinct intra-industry and extra-industry differences between PSFs. For that reason, Von

¹⁰ Cited examples of professional services firms: accounting, law, management consulting, engineering consulting, advertising, architecture, investment banking, marketing/public relations, physician practices, real estate agents, insurance brokerage, software development, actuarial services, executive recruiting, media production, research firms, education, financial advising, investment management, talent agencies, universities, fashion design, graphic design, hospitals, professional sports, project management, quantity surveying, risk management services, social work agencies.

Nordenflycht (2010) did not propose a uniform definition of PSFs, but proposed to look at the ‘degree of professional service intensity’, which is comprised of knowledge intensity, low capital intensity and professionalised workforce.

Knowledge intensity occurs when the production of a firm’s output significantly relies on a substantial body of knowledge (Von Nordenflycht, 2010). While knowledge intensity is embodied mostly in individuals, it can be also embedded in production technology, products and organisational routines. Most of the scholars, however, operationalise knowledge intensity by looking at the organisational-level routines, equipment and products (Von Nordenflycht, 2010). Fewer studies use a person-centric definition that considers the executives and the frontline workers (eg. Alvesson, 2000).

Von Nordenflycht (2010) identified literature that outlines two managerial challenges as a consequence of knowledge intensity. The first challenge occurs when employees have complex knowledge, strong bargaining power and preferences for autonomy. The second challenge is related to ‘expertise asymmetry’ or ‘opaque quality’, where the quality of an expert’s output is evaluated by non-experts. This is especially the case in firm-client relationship and is directly applicable to PSFs.

Low capital intensity indicates that a firm’s production does not involve significant non-human assets such as factories, equipment and inventory. The main implications for PSFs are: a. increasing employee bargaining power; b. reduced need for outside investment allows a greater degree of autonomy and informality to satisfy employee preferences (Von Nordenflycht, 2010: 162).

Professionalised workforce refers to the presence of professional ideology and self-regulation. Von Nordenflycht (2010: 163) described professional ideology as ‘a set of norms, manifested both in explicit ethical codes enforced by professional associations and internalised preferences often developed during professional training’. Self-regulation means that a profession has a self-regulated monopoly where a central association certifies membership into a profession.

Von Nordenflycht (2010) did not consider ‘intangible output’, ‘customised output’ or ‘business clients focus’ as distinctive characteristics of PSFs. While this may contradict with some prior studies (Netland & Alfnes, 2007), the main reason for this is a degree of ambiguity that is associated with interpretations of these terms. Software, patents and

legal outcomes can be classified as intangible products; at the same time, architect reports, consulting work, law contracts – are tangible outputs that are transferred to the client. Customisation can be a viable characteristic, yet, Von Nordenflycht (2010) argued that any implications are already captured by knowledge intensity. Current research on the implications of customisation and business clients is insufficient to incorporate this as part of the distinctive characteristics of PSFs.

Von Nordenflycht (2010) argued that knowledge is one of the main characteristics of PSFs. This echoes Johanson and Vahlne (1977: 28) who assumed that experiential knowledge is most relevant for internationalisation of non-manufacturing firms and ‘complex and software intensive products’. Alvesson and Sandberg (2011), academics who focus on studying PSFs and knowledge in organisations, suggested future researchers to apply problematisation methodology (further discussed in Chapter 3) and challenge the assumptions underlying existing theories in some significant way.

Alvesson and Sandberg (2011: 267) explained that ‘given the current shortage of interesting and influential theories in management studies ... [it is important] to identify, articulate, and challenge different types of assumptions underlying existing literature and, based on that, to formulate research questions that may facilitate the development of more interesting and influential theories’. Building on the argument that PSFs rely on individuals for tacit knowledge (Hitt et al., 2007; Scott-Kennel & von Batenburg, 2012; Shukla & Dow, 2010), it is appropriate to incorporate a person-centric definition of experiential knowledge to test the underlying assumption of the Uppsala model that greater knowledge results in an increasing market commitment.

2.4.3 The role of experiential knowledge in the internationalisation of PSFs

A *Service Industries Journal* special issue (2012) addressed the challenges and opportunities of internationalisation in professional service industries. The purpose of this special edition of the journal was to highlight the need to expand our knowledge of professional services internationalisation and bring it on a par with the current knowledge of manufacturing firms. The special issue stressed the importance of studying antecedents of international expansion, processes of foreign market selection, determinants of entry modes, questions of coordination and control in the international firm (Apfelthaler & Vaiman, 2012: 1591; Rosenbaum & Madsen, 2012: 1656). The predominant focus of prior PSF literature (e.g. Løwendahl, Revang, and Fosstenløkken

(2001), which is also supported by other literature reviews (see Merchant & Gaur, 2008; Netland & Alfnes, 2007; Von Nordenflycht, 2010), has been domestic management with very little focus on internationalisation issues (Rosenbaum & Madsen, 2012: 1655).

The two most relevant articles to internationalisation of PSFs published in the special issue are by Scott-Kennel and von Batenburg (2012) and Rosenbaum and Madsen (2012), who look at the role of knowledge in the internationalisation of PSF and the relationship between tacit knowledge and entry mode selection respectively. Scott-Kennel and von Batenburg (2012) reported, on the basis of a case-study-based approach, that internationalisation process of PSFs - just like manufacturing firms - is heavily influenced by the dimensions/types of knowledge that they employ (knowledge intensity, knowledge tacitness, and source). Their single case study showed that experiential learning is absolutely fundamental for continuous international expansion and mainly lies at an individual rather than organisational/firm level. These findings complement Lindsay, Chadee, Mattsson, Johnston, and Millett (2003) who studied the importance of deeper-level experiential information generated by those directly involved in the internationalisation decision-making process of service firms.

The types of knowledge underlie the core competencies of the firm and influence the internationalisation path. Professional services firms are especially dependent on the tacit knowledge at an individual level (Vaiman, 2008). Scott-Kennel and von Batenburg (2012) conducted an exploratory case study of Metra Information Ltd – a specialised weather forecast service provider. Their findings confirm the critical importance of tacit/experiential knowledge to competitive advantage and future internationalisation. Yet, they note that explicit location-specific knowledge is also important during the internationalisation process. The transfer and internalisation of knowledge at a firm level is difficult as it is centralised in individuals, particularly in small firms that do not have to build a formal process to enhance absorptive capacity. Scott-Kennel and von Batenburg (2012) concluded that further work on the interaction between the types of knowledge is necessary to understand the internationalisation of PSFs, and, that quantitative measurement of knowledge variables is a greatest challenge to research on the internationalisation of PSFs.

Rosenbaum and Madsen (2012) focused on the importance of knowledge to achieve a competitive advantage in services industries. Their study suggests that when tacit

knowledge-sharing is required in a multi-party services project, a PSF is more likely to exercise high control entry modes such as Joint-Venture and Wholly-Owned-Subsidiary. Rosenbaum and Madsen (2012) analysed empirical literature on PSFs over the last 20 years. They found only 14 empirical articles that look at the entry mode choice for the PSFs. Out of the 14 studies, 6 look at the role of networks and their influence on the choice of PSFs' entry mode. At the same time, none of the studies examine the types of knowledge in relation to experiential learning and its influence on market entry decision-making. It is interesting that there is limited empirical evidence on the relationship between knowledge (experiential, tacit knowledge, etc.) and entry modes (as a form of market commitment) as this is the main assumption of the Uppsala internationalisation process model which may also be applicable to PSFs (see Appendix B for a table summarising the literature on the market entry modes of PSFs).

The discussion presented above shows that the internationalisation process of PSFs is understudied. Furthermore, Von Nordenflycht (2010) reviewed 30 studies on PSFs internationalisation and most of them addressed only accounting, law, management consulting and engineering consulting sectors. This disproportionate focus is also highlighted by Netland and Alfnes (2007). Consequently, this illustrates the need for further empirical work in areas beyond accounting and law.

This sub-section illustrated the importance of knowledge and internationalisation to the professional services sector, as well as the fact that the selection of entry modes has not been studied from the experiential knowledge perspective. Hence, the internationalisation of PSFs is an important avenue for future research.

2.4.4 Increasing importance of services industries and SMEs

This sub-section surveys the importance of services industries and the contribution of SMEs to the global economy. While disaggregated information on the size of internationalising Australian services firms is not available, both manufacturing and services SMEs share many characteristics and thus might experience similar barriers to internationalisation.

In most OECD countries the service sector accounts for more than 60% of the gross domestic product and this share is constantly increasing (Apfelthaler & Vaiman, 2012). While exports of services contribute only 19% of the global trade (4,425 billion US\$ in 2013), the contribution in value added terms is 45% of the total world trade (OECD and

WTO, 2012; World Trade Organisation, 2013). Further, according to UNCTAD's World Investment Report (2014), foreign direct investment in services reached \$540 billion in 2013, representing 53% of the total FDI and surpassing the manufacturing sector. During 2012-13, services were the fastest growing sector in terms of the value of announced greenfield projects (+20% increase compared to 2012) (UNCTAD, 2014). The increase in services FDI is not limited only to developing countries; in 2011, the service sector FDI inflows into China surpassed the manufacturing sector (UNCTAD, 2012). Recent publications (e.g. Apfelthaler & Vaiman, 2012; Freeman & Sandwell, 2008; Simon & Welsh, 2009) provided evidence that services SMEs are playing a significant role in national and transnational economies. Thus, the internationalisation of services industries is becoming increasingly important to global business activities.

An OECD (2012) report depicted strong dominance of large firms in exporting activities (goods and services) with the only exceptions being Italy and France. The extent to which SMEs operate abroad varies significantly with the mode of internationalisation. In case of the European Union, 25% of small firms engage in export activities whereas only 2% of them commit to Foreign Direct Investment (European Commission, 2011). Across countries, the propensity of SMEs to commit to FDI is lower than their commitment to export activities. Technological advances, globalisation and improved information flows have facilitated the ability of SMEs to internationalise and there is an increasing engagement of smaller firms from manufacturing and services industries during the past decade (OECD, 2005). Access to information and knowledge provides substantial internationalisation opportunities for entrepreneurial SMEs (Liesch & Knight, 1999). However, the lack of knowledge accumulated through experiential learning can still act as a barrier to international entrepreneurship (Casillas, Moreno, Acedo, Gallego, & Ramos, 2009). SME internationalisation is positively related to economic growth and job creation, hence, it is important to gain a clear understanding of SME knowledge accumulation (OECD, 2005).

As a result of trade liberalisation and economic deregulation since the 1980s, some Australian SMEs actively joined large corporations in accessing foreign markets. Australian internationalisation in the last 20 years has been dominated by large firms (Dick & Merrett, 2007). During 2012-2013 approximately 11% of all Australian SMEs exported goods, accounting for 84% all Australian firms that export goods and services (ABS, 2013, 2014; Sensis, 2012). Even so, SMEs contribute only 5% to the value of all

goods exported from Australia (ABS, 2014). At the same time, internationalisation of Australian SMEs is lagging behind other regions. As an example, 25% of European SMEs engage in export (European Commission, 2010). Austrade (2008) reported that Australian SMEs are finding it difficult to tap into the foreign markets.

Services firms account for only 7% of Australia's export community (firms that export goods and services) (ABS, 2014). This is significantly lower than their manufacturing counterparts. The total number of Australian services exporters is 3,323 firms, while the total of goods exporters was 43,045 in 2013. The Business Council of Australia (2008) expressed their concern with the fact that the nation's market share of international services exports declined when compared to the levels attained in mid 1990s. Their report prioritised developing and implementing strategies to enable Australia's services sector to increase its global market share. The slowing growth in export of services is 'a significant issue for the continuing development and competitiveness of Australia's economy ... it is an area that should be a source of future competitive strength' (Business Council of Australia, 2008: 19). This can be achieved by further development of relevant skills and recognition of the importance of research in services disciplines (Business Council of Australia, 2008: 10).

During 2012-2013, there was an increase in the number of service exporters by 13% (ABS, 2014). This increase was due to a rise in the number of exporters with exports less than \$1m (ABS, 2014). While the Australian Bureau of Statistics does not provide data on the business size of the service exporters, it can be claimed that, similar to the manufacturing sector, most of the Australian service exporters can be classified as SMEs.

The benefits of internationalisation have long been accepted; internationalised firms have higher than average productivity, tend to be more productive and innovative, and the exporting community alone provides one in five jobs in Australia (Austrade, 2002; UKTI, 2007). Therefore, it is important to do more to capitalise on the opportunities present in global markets. The key barriers that Australian SMEs (goods and services) experience during the internationalisation are: limited information to identify suitable foreign business opportunity, inability to establish links with reliable foreign representatives and potential customers (OECD, 2009).

The Australian Trade Commission (Austrade) responded to these barriers by facilitating introductions to overseas buyers and partners, as well as providing onshore and offshore

networks to identify market opportunities and relevant information (Austrade, 2008). Austrade took active steps to facilitate partnerships, develop export alliances and business networks in order to encourage relevant managerial knowledge exchange. However, studies by Export Finance and Insurance Corporation (2008-2010) suggest that information gaps remain a critical challenge to the internationalisation of Australian SMEs. In an era when extensive information is publicly available, Australian SMEs still appear to lack relevant international experience and knowledge (Fenwick, Edwards, & Buckley, 2003; Freeman, 2008; Lewis & Zalan, 2005; Zalan & Lewis, 2006).

The underlying reason for this seems to be the lack of relevant international experience and knowledge. The following section will define experiential knowledge, because, it is - in line with the Uppsala model assumption - a prerequisite for internationalisation and foreign market commitment of firms.

2.5 Defining experience and experiential knowledge

It is important to define experience, knowledge and experiential knowledge/learning for the purposes of this research. The difficulty in doing this is a lack of precision and consistency of defining these terms in the existing literature; most publications on firm internationalisation use these terms interchangeably while often relying on different sets of indicators to represent these constructs. Since the positive relationship between foreign market commitment and experiential knowledge was assumed in the Uppsala model, it is important to distinguish clearly between experience and experiential knowledge (*learning* from experience).

Because learning is a cognitive process, the following section will briefly consider how studies beyond the international business field define experiential learning. Experiential knowledge is a complex construct; not only international business, but also the psychology literature suffers from what Burgoyne (1995) has called a 'crisis of language'. This 'crisis of language' refers to the difficulty in describing how a person attains experiential knowledge. There are two schools in the study of psychology that use different approaches to studying experiential knowledge. The first group focuses on knowledge as 'raw experience', associated with feelings and emotions rather than cognition. The second group focuses on meaning within language but found it difficult to address knowledge/perceptions outside the communicated text. Choueke and Armstrong (1998) found that due to the tacit nature of experiential knowledge, SME

owners and directors have difficulty in defining ‘experience’ in a broad sense of the term. But, while language does not capture experience, it can certainly point to it (Bateson, 1973; Burgoyne, 1995). Individuals make evaluative judgements within the parameters set by their knowledge structure as part of human cognition. Therefore, these evaluative judgements can point to the experience relevant to specific decision-making and/or action.

Burgoyne (1995: 61) defines ‘experiential knowledge’ as ‘learning from experience’ – the creation of the knowledge (tacit and affective knowing, articulated cognitive knowledge) that is learned through *active interpretation* of experience by the learner. The common understanding of ‘experience’ is: a practical contact with and observation of facts or events, which leaves an impression on someone (“Experience,” 2013). Whereas ‘knowledge’ is commonly defined as facts, information and skills acquired through experience (“Knowledge,” 2013). Therefore, ‘experience’ does not lead to ‘knowledge’, unless a learning process is in place. For this reason, this study will refer to ‘experience’ and ‘experiential knowledge’ as two separate constructs.

Parallels can be drawn between experiential knowledge and long-term memory accumulation. Atkinson and Shiffrin (1968) presented a model of human cognitive architecture: the sensory memory¹¹ – working memory¹² – long-term memory¹³ model. Baars and Franklin (2003) presented a good summary of steps in the human cognitive cycle; early perception of ‘experience’ is associated with sensory memory (where external or internal stimuli is received, prior to interpretation/creation of meaning). Then, the relationship between working and long-term memory forms a cognitive process that supports learning. This cognitive process of knowledge acquisition is called ‘schema-construction’; it is acquired after years of practice and may be the only factor determining the level of skill (Ericsson & Charness, 1994; Sweller, van Merriënboer, & Paas, 1998: 254). Experiential knowledge, is associated with organising experience into meanings

¹¹ Sensory memory is defined as ‘a memory or storage of sensory events such as sights, sounds, and tastes, with no further processing or interpretation’ (Davis & Palladino, 2010: 264).

¹² Working memory is defined as: ‘a limited capacity system, which temporarily maintains and stores information, supports human thought processes by providing an interface between perception, long-term memory and action’ (Baddeley, 2003: 829).

¹³ Long-term memory ‘has a very large capacity and the capability to store information relatively permanently’ (Davis & Palladino, 2010: 69).

through associations, relying on long-term memory or schema¹⁴ (a recognised pattern of thought or behaviour, which helps to interpret the perceived information), as well as conscious and unconscious processes.

Several studies illustrate that area/discipline experts rely on their long-term memory to apply best procedures for solving problems (Chase & Simon, 1973; Chi et al., 1981). Long-term memory (or 'experiential knowledge') can help to recognise the characteristics of a situation and it often unconsciously guides individuals to a specific response (Kirschner et al., 2006). Long-term (schema) memory is conditional upon learning; and can help to overcome working memory limitations and cognitive load under uncertainty (e.g. problem solving under time pressure) (Ericsson & Charness, 1994; Ericsson & Kintsch, 1995). However, slight variations in 'experience' and learning preferences will result in a very different decision-making outcome (Chase & Simon, 1973). This argument explains the empirical findings by Leonidou (1995), who shows that firms at the same internationalisation stage do not perceive internationalisation obstacles in the same manner and thus will react differently. Human cognition research (e.g. Atkinson & Shiffrin, 1968; Ericsson & Charness, 1994; Sweller et al., 1998) is less relevant here because it belongs to psychology disciplines and so it is not considered further, yet, the variance between experience and experiential knowledge/learning is of critical importance to this research.

Previous international business studies that considered experiential knowledge can be classified into three separate categories, which each illustrate that the study of experiential knowledge as a process received little attention. Each one of the three categories will be discussed below in light of the relevant empirical findings on the experiential knowledge construct.

The first category of studies includes the majority of internationalisation research which operationalised knowledge/learning by looking solely at 'experience' (e.g. Andersson et al., 2004; Barkema et al., 1996; Benito & Gripsrud, 1992; Chetty & Campbell-Hunt, 2003; Cui et al., 2013; Erramilli, 1991; McNaughton, 2003). These studies rely on the notion of 'learning by doing' in the broadest meaning of this term, which originates from

¹⁴ Bartlett (1970) referred to a schema as an organised structure that captures knowledge and expectations of some aspect of the world (Clarke & Mackness, 2010).

the behavioural theory of the firm (see Aharoni, 1966; Cyert & March, 1963). These studies do not all operationalise 'experience' in the same manner. Experiential knowledge is captured in several mechanical ways, generally on the basis of the assumption that the indicators chosen are outcomes of learning processes: overseas working or educational experience (Cui et al., 2013), percentage of international to total sales (Andersson et al., 2004), number of export markets (McNaughton, 2003), number of previous expansion experiences (Barkema et al., 1996; Benito & Gripsrud, 1992; Davidson, 1980), employees located overseas (Coviello & Munro, 1997), number of years engaged in internationalisation and geographic scope (Erramilli, 1991), increasing market commitment (Luo & Peng, 1999). These studies operationalise the construct in line with the assumptions made about internationalisation outcome/commitment and learning in Johanson and Vahlne (1977) - as illustrated in Section 2.2.1.

In contrast to these studies, Ericsson (2008) argued that the use of proxies and traditional indicators of 'expertise', such as length of experience and perceived mastery of knowledge, do not necessarily correlate with actual or observed task performance. Expertise is generally associated with intuitive response, superior knowledge and the ability to teach others. However, the exact criteria for defining 'expertise' can be problematic. As an example, peer nomination process of 'experts' is becoming increasingly criticised (Ericsson, 2008: 989). Similarly, empirical evidence shows that 'experts' were unable to perform and make better decisions than less skilled peers (Camerer & Johnson, 1997). As such, there are two approaches to studying expertise: behavioural/retrospective – focused on the performance of experts; cognitive – focused on the differences in experts' process approach (Chi, 2006). Ericsson and Charness (1994) revealed that the complexity of cognitive processes that mediate the actions of well-performing individuals cannot be captured by simple accumulation of experience indicators.

The second category of studies on experiential knowledge and its role in the internationalisation process (e.g. Blomstermo, Eriksson, Lindstrand, & Sharma, 2004; Hadjikhani, Hadjikhani, & Thilenius, 2014; Zhou, 2007) introduced a broader context of 'experience': sources of experience, business/social networks as well as other contextual aspects. This approach is partly underpinned by Eriksson et al. (1997). Eriksson et al. (1997); Eriksson et al. (2000b) presented a broader operationalisation of the 'experiential knowledge', incorporating sources of business knowledge (subsidiaries, corporate

agreements abroad, clients, market and competitors), institutional knowledge (language, laws, norms and values in foreign markets), and internationalisation knowledge (foreign experience, unique knowledge/competence). Internationalisation knowledge incorporates the understanding of the firm's capability and resources in the foreign market. This is one of the first studies to acknowledge conflicting evidence on a positive relationship between experiential knowledge and entry modes.

Eriksson et al. (1997, 2000a) established a stronger basis for further experiential knowledge research. However, this research no longer touches on the issues of market commitment as an internationalisation outcome, but also relates to organisational structures that affect experiential learning. Chetty and Campbell-Hunt (2003) and Petersen, Pedersen, and Lyles (2008) suggested to incorporate a firm's ability to identify relevant knowledge and act on the basis of new information as part of the internationalisation process of firms. This ability forms their operational definition of the experiential knowledge (operationalised through the absorptive capacity theory, explained in Section 2.3.1). The dimensions of absorptive capacity (acquire, assimilate, transform, exploit) can help to identify a firm's ability to ingrain experiential knowledge into the corporate structure.

Nonetheless, experiential knowledge is first embodied in individuals, therefore, it is important to study knowledge accumulation not only at the firm level but also as an aggregate of individual contributions to the social capital of a firm (Meyer & Gelbuda, 2006; Nonaka, 1994). The ability of a company's senior management to source knowledge through business networks is also studied as part of experiential knowledge process (Awuah, Gebrekidan, & Aihie, 2011; Holmlund & Kock, 1998). This relates back to the network perspective on internationalisation (discussed in Section 2.3).

Theorising the processes that constitute experiential knowledge can be difficult to achieve because of the multiple competing explanations when a construct (in this case experiential knowledge) is operationalised to account for how firms deal with a broader range of aspects in a foreign business environment (Langley & Tsoukas, 2010). Hadjikhani et al. (2014) argued that, in order to account for irregular internationalisation behaviour researchers should look into the executive behaviour and knowledge – executive/managerial expectations, known and unknown uncertainty. They claimed that

it is important to untangle the black box of what is happening within an organisation in terms of using experiential knowledge in strategic decision-making.

Process research incorporates the issues of time, context and internal firm development. Welch and Paavilainen-Mäntymäki (2014) provided a broad definition of process theory: an interdependent chain of events leading to internal change that is not captured by variance studies. Even internationalisation studies that are based on process data (capturing multiple points in time), have not eventuated in process theory (Welch & Paavilainen-Mäntymäki, 2014). This calls for further studies to incorporate process into internationalisation research.

The third group of studies addressed the experiential knowledge accumulation process in exploratory and deductive fashions. Studies by Lamb and Liesch (2002), Chetty and Campbell-Hunt (2003) and Johanson and Vahlne (2006, 2009) engaged in qualitative assessments to address acquisition and transfer of experiential knowledge as a collective process. This approach is similar to the call towards a third generation of research studies proposed by Welch and Paavilainen-Mäntymäki (2013).

The first generation of the internationalisation process research is the 'stage models': Uppsala internationalisation model and innovation-related internationalisation (see Sections 2.2.1 and 2.2.2). The second generation focused on furthering the empirical understanding of the early stage models, with most researchers referencing the Uppsala Model (Welch & Paavilainen-Mäntymäki, 2014: 7).

A third generation of research should probe into escalation of market commitment as a broader concept. This highlights the importance of studies on within-mode internal change of the firm during the internationalisation process. Experiential learning processes and knowledge might not be reflected in a macro-level market entry mode, which by and large remained the focus of the first two generations of internationalisation research. A third generation of internationalisation research (eg. Karlsen et al., 2003; Nummela et al., 2006) will aim to study the process of internationalisation, rather than focusing on classificatory types that analyse temporal states within the firm (e.g. traditional or born-global, client following or market seeking, evolutionary or revolutionary, etc.) (Welch & Paavilainen-Mäntymäki, 2014: 12).

Further, the subject of post market entry development of a firm and adaptation to change can be addressed through a process perspective. The firm is not necessarily a unitary entity and multiple internationalisation sequences often take place simultaneously, which signify the need to study micro-processes of internationalisation (Welch & Paavilainen-Mäntymäki, 2013). Hence, a process approach will allow us to deepen our understanding of the link between experiential knowledge and market commitment.

This section outlined the current coverage of experiential knowledge in the literature relevant to international business studies. In order to improve the understanding of this construct, the next subsection will look at how experiential knowledge is defined and operationalised by other learning theories.

2.5.1 Kolb's Experiential Learning Theory

Kolb's Experiential Learning Theory (ELT) is one of the main instruments that reflect on experiential knowledge concept (Kolb, 1984). The ELT evolved from other academic theories that address the decision-making process (Simon 1947 as cited in Kolb 1984), the problem-solving process (Punds 1965 as cited in Kolb 1984) and the creative process (Wallas 1926 as cited in Kolb 1984). The ELT common grounds (stages of cognitive behaviour) are shared amongst the early learning models by Lewin (1942), Dewey (1938) and Piaget (1970) – the founders of experiential learning approach. The ELT incorporates the various stages of learning by Lewin and Dewey, and also specific modes of thinking described by Piaget (these similarities are visualised as a diagram in Appendix C). The principles of the ELT are also shared across other theories of learning (e.g. the 4I framework of organisational learning, discussed in Section 2.5.2). These similarities demonstrate the significance of the ELT theoretical construct (Gemmell, 2013). The ELT can be widely applied to the real world issues of organisational learning, entrepreneurship and innovation.

Individuals have a preference for a learning mode/style that transforms 'experience' into 'knowledge' (Kolb & Kolb, 2009; Kolb, 1984, 1993; Kolb, Boyatzis, & Mainemelis, 2000). Most importantly, the manner in which people learn may affect their ability to identify and exploit opportunity (Corbett, 2005, 2007). This can therefore be applied to study the process by which experiential knowledge yields market commitment as part of the Uppsala internationalisation theory.

The main aspects of the ELT can be summarised as follows: 1. Learning is best conceived as a process and not a behavioural outcome; 2. Learning is a continuous process grounded in experience; 3. Learning is a holistic process of adaptation to the world, where dialectically opposed modes of adaptation are resolved depending on the context and the environment. The ELT defines learning as ‘the process whereby knowledge is created through the **transformation** [*emphasis added*] of experience. Knowledge results from the combination of grasping and transforming experience’ (Kolb, 1984: 41). The ELT implies that ideas are not fixed, but can be formed and reformed through experience (Kolb, 1984: 26). The failure to modify ideas and actions as a result of experience is classified as static non-learning.

The ELT argues that effective learners touch all bases of the learning cycle, which is comprised of the four primary learning modes: concrete experience, reflective observation, abstract conceptualisation and active experimentation. Active experimentation (acting) and reflective observation (reflecting) are two dialectically related modes of *transforming* experience. Whereas, concrete experience (experiencing) and abstract conceptualisation (conceptualising) are the two dialectically related modes of *grasping* relevant experience. Learners often have preference for a specific learning style within the learning cycle. Some learners prefer to perceive new information through experiencing the concrete, tangible qualities of the world and relying on their senses when engaged in concrete reality (concrete experiencing learning mode). While other individuals prefer to learn new information through thinking about an issue, analysing, or systematically planning rather than using sensation as a guide (reflective observation learning mode). On these grounds Kolb (1984: 41) identified four basic learning styles that are associated with different approaches to learning¹⁵:

1. Diverging: observation; gather information; inferences from broad cultural interests; general interest in people; listen and receive personalised feedback. Concrete experience and reflective observation are the dominant learning abilities for these individuals. Divergent learners grasp information by feeling and transform by watching.

¹⁵ The definitions of each learning style also incorporate the descriptions provided by Gemmell (2013).

2. Assimilating: putting info into a logical form; less focused on people, more focus on ideas and abstracts, logical soundness rather than practice; reading, exploring, time to think through. Reflective observation and abstract conceptualisation are the dominant learning abilities. Assimilative learners grasp experience by thinking and transform by watching, with a strong tendency to gravitate towards abstract problems.
3. Converging: practical uses for ideas and theories, can solve problems and find solutions, preference to dealing with technical rather than interpersonal and social issues, experiments, simulations, practical applications. An individual with the converging learning style has active experimentation and abstract conceptualisation as dominant learning abilities. Convergent learners grasp experience by thinking and transform by doing.
4. Accommodating: learn from hands-on experience, enjoy carrying out plans and involve in challenging experiences, act on 'gut' feeling than logical analysis, rely on people for info rather their own technical analysis, prefer to work with others, test different approaches. An individual with an accommodating learning style has active experimentation and concrete experience as dominant learning abilities. Accommodative learners grasp experience by feeling and transform by doing.

Effective learning requires touching on all four bases (summarised as concrete experience, reflective observation, abstract conceptualisation and active experimentation) throughout the process (Gemmell, 2011; Kolb & Kolb, 2009). Yet, the learning modes cannot be applied simultaneously in any specific situation. Situational context and time will force the decision-maker to move on a spectrum from actor to observer which determines the degree of involvement in the process (Kolb, 1984: 31). As an example, due to time constraint it is impossible to simultaneously drive a car (concrete experience) and study the manual (abstract conceptualisation).

Section 2.5 identified experiential knowledge as the research gap in relation to international business literature, whereas Section 2.5.1 suggested utilising the ELT as an instrument to address this gap. The following subsections will look at learning theories other than the Kolb's theory.

2.5.2 4I Multi-level Learning Framework

The Academy of Management recognises the 4I Framework by Crossan et al. (1999) as one of the most cited and prominent organisational learning theories. Intuiting, interpreting, integrating, and institutionalising – present four main learning processes (4I) that link the individual, group, and organisational levels. Behling and Eckel (1991) related intuition to experience and argue that intuition, analogous to experience, is logical and well-founded. Tsoukas (1991) described knowledge as personal reflection on past experiences, unconscious recollection, associations with already known experiences, non-verbal character of which cannot be imparted through literal language. The notions raised by Behling and Eckel (1991) and (Tsoukas, 1991) form the basis for the 4I processes.

This framework has strong similarities with the experiential learning theory. Intuitive, interpreting and integrating processes have strong parallels with Kolb's divergent, assimilative and convergent stages (Gemmell, 2013). Similarly, institutionalisation can be viewed as analogous to Kolb's accommodation process. The common principle for 4I framework and the ELT is the relation between knowledge (cognition) and behaviour (action) – 'changes in knowledge do not necessarily lead to changes in action' (Crossan et al., 1999: 535). This dynamic nature of experiential learning process illustrates that assumptions about the amount of experiential knowledge in relation to market commitment should be studied as a process to reflect on intra-stage learning (low-level learning that is not reflected in the state of internationalisation; market entry modes (or internationalisation stages) reflect the state of internationalisation, see Section 2.2.1).

Experiential knowledge in the internationalisation process is best described as an exploratory process at an individual level. Institutionalisation in the 4I framework has strong parallels with exploratory-exploitative learning (Gemmell, 2013). Exploratory learning is associated with individuals, who feed-forward the knowledge which is then accumulated into the organisation. Exploitative learning, however, is associated with the organisation pushing repeatability and efficiency. The organisation may have a limited capacity to absorb new learning, and then, the knowledge remains at the individual level (Cohen & Levinthal, 1990; Hatch & Dyer, 2004).

Similarly, collective organisational learning mechanisms exist where managers take an active part in decision-making on behalf of the firm. Dixon (1999) claimed that an ideal

organisational learning structure incorporates three main layers: 1. Private meaning (outer layer); 2. Accessible meaning (middle layer); 3. Collective meaning (norms and assumptions at the core layer). Drawing parallels to the internationalisation process, experiential knowledge is likely to incubate at the private meaning (outer layer). At this level each individual is involved in a continuous process of constructing and reconstructing meaning as they encounter new experiences. An organisation can be full of individuals who each possess extensive expertise/knowledge and yet the organisation may not be learning because these individuals do not make their knowledge accessible to others (Dixon, 1999: 45). Accessible meaning occurs when individuals are willing to communicate their meaning to selected members within the organisation. Collective meaning is what all organisational members hold in common; these are the norms, assumptions and strategies that may be coded into policies and procedures.

Further, exploratory learning is highly dependent on specialist human capital (individual-level knowledge) and the ability of individuals to engage in building cooperative social capital (networks) (Kang & Snell, 2009). Due to the dynamism and tacit nature of experiential knowledge, critical information is held by specific individuals who might have a leading role during the decision-making process (Scott-Kennel & von Batenburg, 2012).

Crossan et al. (1999) argued that the development of (experiential) knowledge lies at individual/group level, which is later transferred to an organisation. The transfer of tacit knowledge requires individuals to communicate through words and actions 'their own cognitive map' (Crossan et al., 1999: 532). The process of transition from 'interpreting' to 'integrating' makes tacit knowledge explicit (Polanyi, 1966). This process is associated with the development of a shared understanding regarding an internationalisation opportunity at the organisational level (Crossan et al., 1999). Moreover, the critical value of such knowledge in relation to the internationalisation process is arguably lost when it resides at an organisational level. Disparities in internationalisation paths are likely to occur when individuals are acting on the basis of varying experiential knowledge, which cannot be observed as a tangible organisational routine/structure.

2.5.3 Other learning theories

Kolb's theory also incorporates the 'learning from mistakes' principle suggested by Argyris and Schon (1978). Single-loop learning is defined as repeated attempts to tackle

the same problem without changing the strategy or questioning the goal. Double-loop learning envisions a changed strategy or a modified goal. Single-loop/double-loop learning is incorporated through reflection on experience in the ELT.

From an entrepreneurial perspective, knowledge can be categorised into the following categories: tacit knowledge based on direct experiments, vicarious knowledge based on indirect observation (Holcomb, Ireland, Holmes Jr, & Hitt, 2009), and technical market specific knowledge (Minniti & Bygrave, 2001). Gemmell (2013: 25) argued that experiential tacit knowledge is most critical to managerial decision-making, vicarious experiences are likely to have a secondary role. Direct experimentation includes learning from failures, which is reinforced by emotions (Rae & Carswell, 2000). The case studies of six business owners in Cope and Watts (2000) showed that because of 'critical experiences' entrepreneurs 'endure prolonged, difficult and highly emotional critical periods or episodes'. The role of emotions is important because experiences have an affective dimension that greatly influences the learning process, 'it would seem that emotions are inextricably tied to all thinking and learning processes' (Brown, 2000: 289). Critical incidents lead to a higher-level knowledge and mentoring programs in this case can provide better support for entrepreneurs (Cope & Watts, 2000).

Individuals have different learning capabilities to process available information (Corbett, 2007; Dimov, 2007; Ko & Butler, 2006). As a result, managers will generate different meanings of information while in identical business environments (Crossan et al., 1999). A response to a particular idea will likely to be different under different contextual influences (Dimov, 2007). The context is unique in how it engages a particular individual and these interpretation differences depend on the individual's prior experience (Kolb, 1984; Walsh, 1995). Consequently, managers can act contrary to firm-level theoretical predictions. This supports the need to study individual-level processes as part of the firm-level theory to improve the external validity of the internationalisation process models.

Johanson and Vahlne (1977) claimed that under high uncertainty prior experiential knowledge will lose its relevance. Inability to recognise at what point reliance on prior experience prevents exploration of new opportunities can come at a high cost (Baum et

al., 2000). Uncertainty creates a context under which comprehensive decision-making is not possible. This results in knowledge gaps and in this case managers use heuristics¹⁶ to make acceptable solutions (Busenitz & Barney, 1997; Holcomb et al., 2009). Case study have proven to be a useful tool in examining a wide range of factors that contribute to the degree of uncertainty experienced during the decision-making process.

To sum up, the role of knowledge in internationalisation is commonly studied from the following perspectives: (1) pool of knowledge required to conduct business in foreign environments (personal experiences, work and international market experiences), (2) sources of acquiring relevant internationalisation knowledge (e.g. social and business networks), (3) impact of the firm's experience abroad (e.g. learning-by-doing) (e.g. Collinson & Houlden, 2005; Eriksson & Chetty, 2003; Oortwijn, 2011; Petersen et al., 2008; Vermeulen & Barkema, 2002).

Armstrong and Mahmud (2008) have already demonstrated links between Kolb's active experimentation learning mode and tacit knowledge acquisition by using Sternberg, Forsythe, Hedlund, Horvath, Wagner, Williams, Snook, and Grigorenko (2000) Tacit Knowledge Inventory for Managers (TKIM is a survey-based instrument for assessing individual's tacit knowledge). Individuals who spend most of their time performing management functions and have accommodating learning style as dominant learning mode scored significantly higher on the levels of accumulated managerial tacit knowledge. Further, individuals with preferences for all four different learning styles, on the basis of Kolb's experiential theory, show effective experiential learning. It should be noted however that contextual detail plays a significant role in the relationship between experiential knowledge and market commitment. Moilanen (2012) demonstrated that tacit knowledge measures (Sternberg et al., 2000) should always be adjusted to fit the specific contextual conditions. This study also reinforced that tacit knowledge is a rich asset for any organisation that cannot be made explicit (in line with Polanyi, 1966). Therefore, this research employs multiple case-studies approach to study the role of experiential knowledge in market commitment decision-making and to account for relevant situational context (the method is further discussed in Chapter 3).

¹⁶ Holcomb et al. (2009: 167) defined heuristics as 'simplifying strategies ... which are decision rules that reduce complex judgmental tasks to relatively simple cognitive operations'.

2.6 Research Conceptualisation

The literature review exposed key research gaps on the internationalisation process of firms. This section will present a brief summary of the issues in international business research that require further investigation. The research questions flow logically from the discussion of relevant literature on the internationalisation process of firms, knowledge formation and learning.

In general there is a lack of research on the process of experiential knowledge and learning in academic management and international business journals, although, the academic attention for the experiential knowledge construct is gaining its importance. In 2013 the *Management International Review* journal sent out a call for a Focused Issue on 'About Time: Putting Process Back into Firm Internationalisation Research'. It argued that since the 1970s internationalisation has received considerable scholarly attention. While internationalisation of the firm is agreed to be a process, researchers rarely ask process-based questions and tend to focus on cross-sectional research designs (Liesch et al., 2013). In addition, the 2013 Academy of International Business Conference held a special session on the importance of incorporating the process in internationalisation research. During the proceedings, the dominance of variance-based studies were criticised on the basis that the 'research topic should not be simplified too much to allow for prevalent statistics methods' (Vahlne, 2013). Internationalisation researchers tend to focus on gap-spotting rather than problematisation methodology (discussed in Chapter 3) (Liesch, 2013). This illustrates that internationalisation, in light of 'experiential knowledge – opportunity recognition/market commitment' process, is an emerging research field. This section will demonstrate that, regardless of the high number of 'experiential knowledge' papers in the study of firm internationalisation, the calls for process research have not been taken up.

2.6.1 Research questions and conceptualisation of the research

This research aims to pose process-related questions on experiential knowledge to demonstrate how internationalisation evolves over time. In response to Welch and Paavilainen-Mäntymäki (2013) this study will explore the process and dynamic nature of the experiential knowledge. The depth of analysis together with the incorporation of relevant contextual aspects (time, situation, foreign business environment) will contribute to a process-based theory of internationalisation.

In order to explore the internationalisation process of Australian professional services firms below is a set of research questions drawn from the literature:

- RQ1:** What is the experiential knowledge of professional services firms?
- RQ1a:** How does it develop over time, where does it reside and what constitutes the stock of experiential knowledge?
- RQ2:** What is the role of micro-processes in acquiring, accumulating and analysing experiential knowledge advantages for strategic purposes?
- RQ2a:** How does experiential knowledge affect cross-border opportunity recognition and/or market commitment of professional services firms?
- RQ3:** Why do professional services firms choose to internationalise: alone (exports/greenfield venture) or through partnerships (export through an agent/joint venture)?
- RQ3a:** How are professional services firms using experiential knowledge gained alone or through partnerships?

The study will now present a summary on how these questions emerged from the review of the prior literature. A detailed table of all relevant studies that have formed each research question is also presented in Appendix D.

The theory of the processes of interaction between experiential knowledge and market commitment within the literature of firm internationalisation is still evolving (Fransson et al., 2011; Johanson & Vahlne, 2003, 2009; Vahlne & Johanson, 2013; Welch & Paavilainen-Mäntymäki, 2014). There have been several revisions of the Uppsala internationalisation model, however, the main principles remain the same: experiential knowledge/learning and commitment building are the two main sub-processes of the internationalisation process (Vahlne & Johanson, 2013). Experiential knowledge is closely associated with stages of internationalisation or the actual presence in a market (Barkema et al., 1996; Barkema & Drogendijk, 2007; Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975; Welch & Paavilainen-Mäntymäki, 2014). Therefore, it is assumed that a greater level of commitment requires firms to have relevant experiential knowledge (Johanson & Vahlne, 1977, 2003, 2009; Johanson & Wiedersheim-Paul, 1975).

Unlike the behavioural theory of the firm (Aharoni, 1966), the Uppsala model does not incorporate the managerial or decision-making perspective in any of the four internationalisation stages (see Section 2.2.1). The main theoretical assumption of Johanson and Vahlne (1977) is that foreign market commitment is determined by the firm's knowledge of a foreign market opportunity at a given point in time. Johanson and Vahlne (1977: 28) argue that the experiential knowledge will make entrepreneurs feel or perceive a market opportunity in a specific manner. However, the Uppsala model did not provide a dedicated instrument to assess experiential knowledge, the current state of internationalisation (market commitment) of a firm has been used as a proxy for knowledge in follow-up empirical studies (discussed in Section 2.3 and Section 2.5).

The creators of the Uppsala model suggest that their theory might also be applicable to 'complex and soft-ware-intensive products'. Professional services firms have been the object of increasing interest (see Sections 2.4.1, 2.4.4), however, little is actually known about their experiential knowledge and internationalisation process (Brown et al., 2003; Contractor et al., 2003; Knight & Kim, 2009; Knight & Liesch, 2002; Nummela et al., 2006).

The following research questions address these gaps:

RQ1: What is the experiential knowledge of professional services firms?

RQ2a: How does experiential knowledge affect cross-border opportunity recognition and/or market commitment of professional services firms?

In line with Li et al. (2004), this literature review demonstrated that neither the innovation-related internationalisation models (discussed in Section 2.2.2), nor the systematic planning models or contingency perspectives on the internationalisation process of firms (discussed in Section 2.2.3) provide a convergent understanding of the internationalisation process. Andersen (1993) concluded that the internationalisation process models did not explain how the internationalisation begins and how exactly experiential knowledge of foreign markets affects the commitment of resources by firms. There is still no significant empirical evidence to explain path-breaking internationalisation (discussed in Section 2.3). Oviatt and McDougall (1997: 93) stated that international business research assumes that entrepreneurial experiential knowledge of foreign markets is sufficient to skip the incremental internationalisation steps. The

renewed interest in this subject (Liesch et al., 2013) draws parallels between the discontinuity of knowledge accumulation and path-breaking internationalisation.

Zahra and George (2002) proposed the absorptive capacity theory as a multidimensional and fluid path of firm-level knowledge acquisition. The external sources of knowledge can include contractual agreements (internationalisation stages 1-2), inter-organisational relationships (such as joint-venture, internationalisation stage 3), commitment to research and development functions (internationalisation stage 4). The four dimensions (acquire, assimilate, transform, exploit) of absorptive capacity echo the incremental internationalisation stages of the Uppsala model.

Firm-level routines and capabilities, for the purposes of this research, are operationalised through the Absorptive Capacity Theory (see Cohen & Levinthal, 1990; Jansen et al., 2005; Zahra & George, 2002). In line with Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece, and Winter (2007) a dynamic capability is understood to be 'the capacity of an organization to purposefully create, extend, or modify its resource base'. As such, market commitment and entry mode can be used to reflect the extension of the company resources to foreign markets.

Scholars suggest that absorptive capacity will positively affect the way a lack of foreign market knowledge is perceived (Eriksson & Chetty, 2003), allow firms to develop new organisational forms to adapt to turbulent knowledge environments (van den Bosch et al., 1999), and influence inter-organisational learning (Lane & Lubatkin, 1998). Further, Vahlne and Johanson (2013) recommend to include absorptive capacity as part of the internationalisation theory in order to capture history dependence in the firm evolution process.

Individual capabilities also serve as the primary source of knowledge and thus Zahra and George (2002) suggest 'individual absorptive capacity' as an important avenue for future research. Todorova and Durisin (2007) also draw attention to the importance of prior knowledge, where individuals are involved in a continuous process of constructing and reconstructing meaning before it is institutionalised within an organisation (Crossan et al., 1999; Dixon, 1999).

The following research question addresses these gaps:

RQ1a: How does it [experiential knowledge] develop over time, where does it reside and what constitutes the stock of experiential knowledge?

Welch and Paavilainen-Mäntymäki (2014: 9) argued that firm internationalisation as a process remains understudied and since 1983 there has not been a sustained upward trend in the proportion of process-based articles. While only a quarter of the internationalisation literature is ‘process-based’¹⁷, most of it only identifies patterns or stages (‘weak’ process theory) and very few studies explain why and how these patterns occur (‘strong’ process theory) (Welch & Paavilainen-Mäntymäki, 2014: 11). The process-based research emphasise the complex, non-linear and dynamic nature of the internationalisation process (e.g. Boojihawon, 2007; Zander & Zander, 1996). Only few of the process-based studies (e.g. Chetty & Blankenburg Holm, 2000; Smith & Zeithaml, 1999) consider internationalisation of firms in a dynamically evolving context (Welch & Paavilainen-Mäntymäki, 2014). The dynamic element of the process-based theories is not well developed. The dominant philosophical and epistemological positions that support positivist notions of causality within the internationalisation process remain unchallenged. Lamb and Liesch (2002: 23) and Pauwels and Matthyssens (1999) suggested that the key constructs of internationalisation (including experiential knowledge) ‘interact rather than act on one another’ and thus it is essential to follow process methodology and theorising (Welch & Paavilainen-Mäntymäki, 2014: 12).

The lack of strong process theories explains why the experiential learning construct is not clearly explained as part of the internationalisation process of firms. As outlined in Section 2.5, experiential learning is a complex and dynamic process that is dependent on relevant situational/environmental context. This research will address the suggestions by Welch and Paavilainen-Mäntymäki (2014: 11) and examine the experiential learning as the driving mechanism behind the internationalisation process of firms, which will explain why/how particular events unfolded as part of the process.

Based on the review of the stages models to internationalisation in Section 2.2, it is clear that the internationalisation and learning process of firms is more likely to be non-linear (Sharma & Blomstermo, 2003). Similarly, Welch and Paavilainen-Mäntymäki (2013)

¹⁷ ‘Process-based’ is defined by Welch and Paavilainen-Mäntymäki (2014: 8,11) as studies that consider process data and attempt process theorising.

suggested that time should not be considered as a linear phenomenon. Notwithstanding, temporal sequences of events and the foreign business context will influence the strategic responses of a firm as well as its experiential knowledge (Araujo & Rezende, 2003; Axinn & Matthyssens, 2002; Sharma & Blomstermo, 2003; Turnbull, 1987; Welch & Paavilainen-Mäntymäki, 2013). Firms will change their mode of operations in response to a volatile business environment (Turnbull, 1987). Therefore, a higher number of subsidiaries, as well as a longer time span of a firm's operations in a host country, do not necessarily indicate superior experiential knowledge (Shaver, Mitchell, & Yeung, 1997). As explained in Section 2.5, this research will focus on studying the differences in experts' process approach in order to assess the experiential knowledge (cognitive approach, in line with Chi, 2006; Ericsson & Charness, 1994).

Micro-processes for the purposes of this study are associated with individual-level experiential knowledge and learning. Therefore, this aspect is operationalised through the Experiential Learning Theory (cf. Kolb & Kolb, 2005, 2009; Kolb, 1984; Kolb et al., 2000). This research defines experiential knowledge and learning as phenomena that contribute to firm-level routines (absorptive capacity) and capabilities (market commitment).

The following research question addresses these gaps:

RQ2: What is the role of micro-processes in acquiring, accumulating and analysing experiential knowledge advantages for strategic purposes?

The PSFs are distinct from the manufacturing sector and thus it is important to derive theories specific to the internationalisation of services industries (Bingham and Eisenhardt, 2011). Von Nordenflycht (2010) argued that knowledge is one of the main characteristics of PSFs. The PSFs are also characterised by relatively low involvement of physical goods in service production and high degree of customer-producer interactions (Vandermerwe & Chadwick, 1989). Please refer to Section 2.4.1 for a detailed discussion.

The 2012 special issue of *Service Industries Journal* stressed the importance of studying antecedents of international expansion, processes of foreign market selection, determinants of entry modes, questions of coordination and control in the international firm (Apfelthaler & Vaiman, 2012: 1591; Rosenbaum & Madsen, 2012: 1656).

Rosenbaum and Madsen (2012) reviewed empirical literature on PSFs over the last 20 years and concluded that no studies examine the types of knowledge in relation to experiential learning and its influence on market entry decision-making.

The following research questions address these gaps:

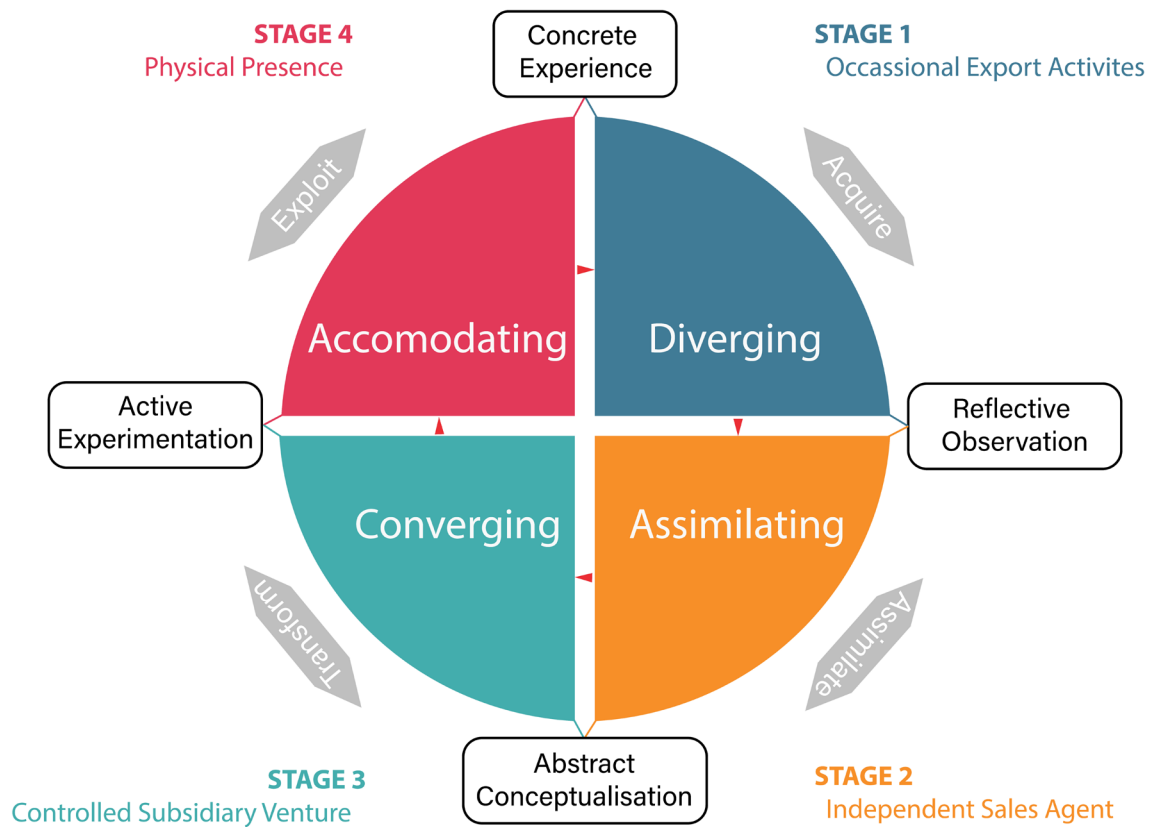
RQ3: Why do professional services firms choose to internationalise: alone (exports/greenfield venture) or through partnerships (export through an agent/joint venture)?

RQ3a: How are professional services firms using experiential knowledge gained alone or through partnerships?

2.6.2 Proposed conceptual framework

In summary, the conceptual framework presents a multi-level scope for the analysis of experiential knowledge and market commitment: individual-level experiential learning, firm-level absorptive capacity routines and macro-level entry mode change which may or may not reflect increasing market commitment. This conceptual framework is visualised in Figure 2.1 below.

Figure 2.1: Integration of Kolb's Experiential Learning Theory, Uppsala Internationalisation Model and Absorptive Capacity Framework



The inner circle of the Figure 2.1 reflects the learning process in line with the ELT (discussed in Section 2.5.1). The main four learning styles of the ELT are as follows: diverging, assimilating, converging, accommodating. This research is using the ELT as a descriptive framework and the research participants will not be tested using the Kolb Learning Styles Indicators. The middle four dimensions (acquire, assimilate, transform, exploit) refer to the Absorptive Capacity Theory. As discussed in Section 2.3.1, individual knowledge is a source of firm-level absorptive capacity which is important for the internationalisation process of firms. The outer circle represents the four Uppsala stages of internationalisation (foreign market entry modes) that form the basis for foreign market commitment (discussed in Section 2.2.1).

Experiential knowledge, as part of the foreign market commitment, will affect not only the entry mode but also the choice of the host country (Vahlne & Johanson, 2013). Psychic distance distorts the flow of information between home and host countries and

will require a greater level of experiential knowledge for the market commitment to take place (Hallén & Wiedersheim-Paul, 1999; Johanson & Wiedersheim-Paul, 1975; Shaver et al., 1997; Sousa & Bradley, 2006; Welch & Luostarinen, 1988; Wiedersheim-Paul, 1972). Oortwijn (2011) illustrated that managers often have differing assessments of the same host country conditions. O'Grady and Lane (1996) argue that the finesse of host country business environments is often beyond the scope of current academic frameworks and can contribute to conflicting theoretical claims (see Mitchell, Shaver, & Yeung, 1994). In line with the recommendations by Vahlne and Johanson (2013) psychic distance and host country business environment are considered by this study as part of the environmental context when discussing the research findings. Further, there is evidence to suggest that individual-level perceptions of psychic distance differ from national-level perceptions (see Baack et al., 2015). Considering that my research looks at individuals and their experiential learning – there is little reason to include psychic distance as part of the discussion.

The key proposition is to ingrate the ELT into the Uppsala model to allow for the examination of experiential learning as a process. Several studies (Corbett, 2005; Gemmell, 2013; Scott-Kennel & von Batenburg, 2012) claim that the ELT is the most appropriate theory for studying the internationalisation processes of firms. Their argumentation lies in the fact that the process of learning from experience is presented directly from the learning outcomes (Kolb & Kolb, 2005, 2009). The ELT presents four learning process asymmetries (diverging, assimilating, converging, accommodating) that are arguably, at the conceptual level, analogous to the four internationalisation stages (occasional export activities, independent sales agent, controlled subsidiary venture, physical presence). While the Uppsala model did not directly examine experiential learning processes, each market commitment stage could be bridged with a dominant experiential learning style.

Researchers already demonstrated links between Kolb's active experimentation learning mode and entrepreneurial opportunity recognition (Corbett, 2007) as well as tacit knowledge acquisition (Armstrong & Mahmud, 2008). Scott-Kennel and von Batenburg (2012) came close to investigating the proposed conceptual framework (ELT and the Uppsala internationalisation process). However, this paper only considered a single case study and thus does not address varying internationalisation stages or allow

for theoretical generalisations. Based on the research to date, there have been no further attempts to investigate the Uppsala internationalisation stages with the corresponding Kolb's experiential learning structures.

2.7 Conclusion

During the past 40 years the internationalisation process literature has sought to assess a range of factors that affect the internationalisation of the firm. This chapter argued that internationalisation process theories are interdependent and should not be viewed in isolation. This chapter illustrated that; first, there is no theory that fits the real internationalisation path of the firm; second, since the Uppsala internationalisation model there has been little focus on experiential knowledge as part of the managerial decision-making process; third, contemporary studies revert the focus back to studying key decision-makers as a source of experiential knowledge.

Consequently, the chapter highlighted that experiential knowledge and learning remain an important gap in the international business field. There is a prevailing assumption that market commitment and speed of internationalisation are positively correlated to experiential learning within the firm and it remains unchallenged. Internationalisation researchers rarely ask process-based questions; most of the empirical studies look at the variance between antecedents of internationalisation and consequent market commitment.

CHAPTER 3: RESEARCH APPROACH AND METHOD

This chapter describes the research method used to investigate the research questions that emerged from the literature review and research conceptualisation in Chapter 2.

3.1 Introduction

The literature review in Chapter 2 identified the assumed relationship between experiential knowledge and foreign market commitment as the main gap in understanding the internationalisation process of firms. The objective of this study is to address this gap by using a method that allows examination of the processes and factors that affect a firm's pattern of internationalisation over time. This chapter will clarify that a process approach, based on a multiple case study method, is an appropriate way to achieve this research objective. This research method is in line with the conclusions of Welch and Paavilainen-Mäntymäki (2014: 13) who conclude that analysis of a chain of events, which influences the internationalisation process of firms over a period of time, is more appropriate than focusing on temporal stages of internationalisation. In other words, this research seeks to rediscover and test the process elements of the Uppsala internationalisation model. Multiple interview-based case studies and narrative analysis are well-suited to addressing the various calls to study the role of processes and history in the internationalisation process of firms (Burgelman, 2011; Buttriss & Wilkinson, 2014; Welch & Paavilainen-Mäntymäki, 2014).

This study investigates seven case studies of professional services firms to examine the learning processes of key decision makers and the role of experiential knowledge on the foreign market commitment decisions of these firms. This chapter will present the reasoning behind the research method used in this study and will clarify the procedures used to collect and analyse the data.

First, this chapter will present an overview of the process approach to studying the internationalisation process of firms. Second, this chapter will justify the case study method and its applicability to addressing the main research questions. Third, this chapter will discuss events mapping and sequence analysis as the main methods well as the actual implementation of the research process.

3.2 Process approach or event-driven method of analysis

3.2.1 Overview

Van de Ven and Poole (2005: 1377) stated that scholars hold different views on whether organisations consist of things or processes, and therefore whether variance or process-based methods should be used to conduct research. This is also a philosophical debate that according to Rescher (1996) goes back to the philosophies of Democritus and Heraclitus. These philosophers presented opposing views of reality, particularly whether reality is a constellation of things or a constellation of processes (Van de Ven & Poole, 2005). Heraclitus argued that studying the process is fundamental: ‘the river is not an object but an ever-changing flow; the sun is not a thing, but a flaming fire. Everything in nature is a matter of process, of activity, of change’ (Rescher, 1996: 10). Democritus, on the other hand, viewed reality and nature as a stable material substance that can change only through the interrelations between both in space and time. These philosophical differences found their application in international business studies.

As discussed in Chapter 2, the international business literature treats the construct of experiential knowledge in two opposing ways – as things (e.g. Andersson et al., 2004; Barkema et al., 1996; Benito & Gripsrud, 1992; Chetty & Campbell-Hunt, 2003; Cui et al., 2013; Erramilli, 1991; McNaughton, 2003) or as processes (e.g. Chetty & Campbell-Hunt, 2003; Johanson & Vahlne, 2006, 2009; Lamb & Liesch, 2002). Van de Ven and Poole (2005: 1380) argued that social science in general and organisational studies in particular have been slow to incorporate a strong process view of organisational change, or any change for that matter. They claimed that there are two most commonly used definitions of change in organisation studies. First, definitions in which change is observed ‘as a difference over time in an organisational entity on selected dimensions’ (Van de Ven & Poole, 2005: 1380). In this case, change is studied with a ‘variance theory’ method, where a change is captured as a dependent variable and then can be explained by a set of independent variables based on statistical variations. This approach is in line with the conclusions of Mohr (1982), who explained change as the variation in a dependent variable across observations as a result of the variation in independent variables. The second definition identifies change as ‘a narrative describing a sequence of events on how development and change unfold’ (Poole, Van de Ven, Vernon, Dooley, & Holmes, 2000; Van de Ven & Poole, 2005: 1381). This second

meaning takes an event-driven approach and uses a 'process theory' to explain the temporal order or sequence. These change events can be reconstructed based on a story or historical narrative, in which the underlying reasons for change can be explained by narrating a unique temporal sequence of events within an organisation (Abbott, 1990; Buttriss & Wilkinson, 2014; Van de Ven & Poole, 2005).

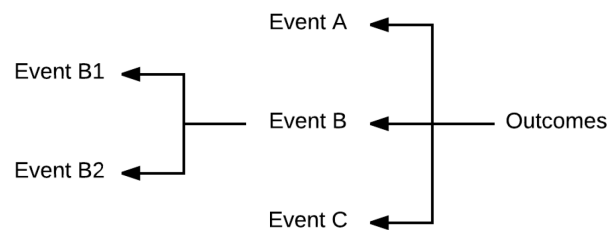
The main difference between these two approaches is the scientific explanation and whether this explanation is presented in terms of independent variables causing changes to dependent variables or in a form of a structured narrative about how a sequence of events unfolded to produce a given outcome are used as evidence to explain a specific phenomenon. Poole et al. (2000: 29) concluded that variance methods explain continuous change 'driven by deterministic causation' and this has significant limitations. In contrast, process methods use historical narratives to indicate the significance of heterogeneous events and forces that influence change. These forces do not operate continuously and some events occur only at a specific point in time.

An example of the variance method of researching the internationalisation process of firms is the study by Cui et al. (2013), which found that the log-transformed number of prior FDI entries and the number of years an individual spent abroad on assignments and/or higher education correlates with export sales to total sales ratio. However, this study does not explain the decision-making process and the underlying reasons as to how and why companies choose a specific internationalisation path. By contrast, Kalinic, Sarasvathy, and Forza (2014) studied the internationalisation process as a dynamic of phenomena that evolves over time to demonstrate 'unplanned' internationalisation, where the internationalisation path is determined by effectual rather than causal logic.

Aldrich (2001) advocated process-oriented theorising and a focus on the event-driven research rather than outcome-driven research. He distinguished between outcome-driven and event-driven research as follows: 'Outcome-driven explanations are built backwards, from an awareness of observed outcomes to prior causally significant events. ... In contrast to outcome-driven explanations, event-driven explanations are built forward, from observed or recorded events to outcomes.' (Aldrich, 2001: 118). According to Aldrich (2001), there are two main problems with outcome-driven

explanations. First, they lead investigators to select the dependent variable, which is akin to introducing a bias in the analysis. Second, a phenomenon (dependent variable) is in most occasions observed only at one point in time, where some organisations may have reached the outcome and others have not. Figure 3.1 provides an example of an outcome observed at a specific time, which in outcome-driven explanations is linked backwards to events that occurred earlier and for which observations are available.

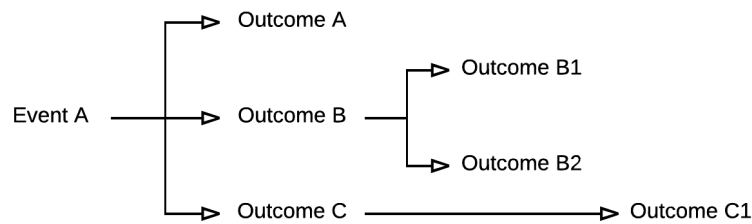
Figure 3.1: Outcome-driven theoretical explanations



Source: Aldrich (2001)

With outcome-driven explanations, researchers pick certain kinds of events prior to an outcome and then record their occurrences over time. Aldrich (2001) stated that there are no simple rules for research design, as some events can influence more than one outcome. It can also be the case that most events have no obvious consequences, therefore it is important for the researcher to have a strong theoretical grounding to identify the expected causal processes. Figure 3.2 provides an example of an event-based explanation, where events are observed over time and then linked forward to outcomes that occur later. These outcomes can also act as events that later trigger subsequent consequences (Aldrich, 2001: 119).

Figure 3.2: Event-driven theoretical explanations



Source: Aldrich (2001)

The process approach aims to investigate ‘critical events and conjunctions of events, including confluences and subsequent events that may alter the direction impacted by earlier events’ (Chandra, 2007: 106). Aldrich (2001; 2007) called for more event-driven process research, which is superior for the purpose of explaining process-related questions. However, despite these calls, outcome-driven research based on variance analysis, remains the dominant approach in entrepreneurship research (Van de Ven & Engleman, 2004: 345). During the 2013 Academy of International Business conference a special session was held on incorporating the process approach in internationalisation research. At this session, Vahlne (2013) criticised the dominance of variance approach in international business research and stated that the ‘research topic should not be simplified too much to allow for prevalent statistics methods’ (see Section 2.6).

As already discussed in Chapter 2, these calls have been echoed by Welch and Paavilainen-Mäntymäki (2014) who stressed the importance of putting the process back into firm internationalisation research. Their review of the internationalisation literature found that only a quarter of the literature is process-based and most of these studies use weak process theorising to identify patterns or stages without developing a strong process theory to explain why and how these patterns occur (see Section 2.6.1). Aldrich (2001) argued that research design underpinning management theories is ambiguous about the timing and pace of organisational change. Indeed, there are very few longitudinal studies of firm internationalisation process. There are only four studies that considered the role of time and micro-processes/events on the internationalisation process of firms (as discussed in Section 2.3.2).

Van de Ven and Engleman (2004) provided several explanations for the dominance of outcome-driven methods in and through partnership research. There are certain difficulties in conducting event-driven process research. These difficulties include 'inability to access research sites willing to participate in longitudinal field research, inability to access reliable archival documents, and difficulty in identifying new ventures at early stages of development' (Van de Ven & Engleman, 2004: 346). Furthermore, the authors claim that there is a lack of knowledge in the management research community about process research methods. Doctoral training programs focus on variance theories and cross-sectional methods with little attention to process theory and event-driven explanations or a longitudinal methods. Van de Ven and Engleman (2004: 346) believe that early career academics and students are often advised not to do longitudinal research. In the same vein, Poole et al. (2000: 29) stated that the variance approach 'overlooks many critical and interesting aspects of change processes'. However, because most organisational scholars have been taught a version of social science that depends on variance methods, and because methods for narrative research are not well developed, researchers tend to conceptualise process problems in variance terms. 'One can see the 'law of the hammer' in operation here: Give a child a hammer and everything seems made to be hit; give a social scientist the general linear model and everything seems made to be factored, regressed and fit' (Poole et. al. 2000, p. 29, cited in Van de Ven & Engleman, 2004). Similarly, Welch and Paavilainen-Mäntymäki (2014: 16) say that process studies are continually 'squeezed into variance-based templates' which is exaggerated by the fact that researchers are continually trained to follow the variance paradigm. The lack of training and experience in process theory results in a continued focus on variance-based theory and methods (Van de Ven & Engleman, 2004).

According to Van de Ven and Engleman (2004), this limits the development of theories that can explain and predict organisational change. Hence, there seems to be a lack of understanding on what constitutes a good process theory and a tendency to apply variance theory criteria to process research. The process approach adopts a different epistemology to variance or outcome-driven research methods (Chandra, 2007). The process approach is focused on how change unfolds to help us understand what is likely to happen in the future (Aldrich, 2001; Chandra, 2007). In contrast, the variance approach is focused on empirical generalisations of the past (Aldrich, 2001) and 'seeks explanation of change driven by deterministic causation, grounded in a general linear

model' (Chandra, 2007: 106). But the variance approach does not account for varying contexts and assumes general consistency of explanations across a broad range of cases and situations.

Hence, the process approach seeks to account for a broad range of contexts, events, cases and patterns to which the theory can be applied (Chandra, 2007). Chandra (2007) argued that variance approach explanations are 'causally shallow' as they do not explain the state or the order of development and rarely incorporate the time. While panel data can capture a period of time, the bigger problem is that only observable data or proxies are available, which leaves unobserved heterogeneity that also impacts on variance but is included in variance analysis. The process approach explanations consider the order and context of previous events and thus are 'causally deep' (Chandra, 2007: 107).

The key differences between variance and process approaches are summarised in Van de Ven and Poole (2005: 1382) and presented in Table 3.1.

Table 3.1: Comparison of variance and process approaches

Variance approach	Process Approach
1. Fixed entities (units of analysis) with varying attributes	1. Entities participate in events and may change over time
2. Explanations based on necessary and sufficient causality	2. Explanations based on necessary causality
3. Explanations based on efficient causality	3. Explanations based on final, formal, and efficient causality
4. Generality depends on uniformity across contexts (control variables are used to account for contextual differences, and yet, the ability to control for such differences depends on the availability of quantified variables and whether the chosen control variables are suitable approximations for these contextual differences)	4. Generality depends on versatility across cases
5. Time ordering among independent variables is immaterial	5. Time ordering of independent events is critical
6. Emphasis on immediate causation	6. Explanations are layered and incorporate both immediate and distal causation
7. Attributes have a single meaning over time	7. Entities, attributes, and events may change in meaning over time

Source: Adapted from Van de Ven and Poole (2005)

The process approach is widely used in other social sciences disciplines, such as political science, sociology and economic and business history. Chandra (2007: 107) argues that these disciplines are more familiar than business research with studying underlying micro-processes that drive macro-level changes over time. The process approach has been used to study innovation processes (e.g. Van de Ven & Engleman, 2004) and has only recently started to transition into studies of firm internationalisation (e.g. Buttriss

& Wilkinson, 2014; Buttriss, Wilkinson, Andersson, & Mattsson, 2005; Park & Harris, 2014; Pla-Barber & Alegre, 2014).

Van de Ven and Poole (2005) suggested multiple case studies, direct observation, or archival analysis as methods to implement the process-centred approach. This thesis will use a combination of a process approach and multiple case study design to assess the role of experiential knowledge on the internationalisation process of firms.

3.2.2 Justification of process approach

The choice of using the process approach, instead of the variance approach, in this study was determined by the nature of the issue at hand (i.e. experiential knowledge and its role on the internationalisation of firms and foreign market commitment) and the recent calls for the use of the process approach in internationalisation research. Studying the experiential knowledge/learning of firms during the internationalisation process is best addressed with the process approach for the following three reasons.

First, the descriptive framework used to examine experiential knowledge (i.e. Kolb's Experiential Learning Theory, ELT) is based on the argument that learning is best conceived as a process and not a behavioural outcome. ELT defines experiential knowledge as a process of transforming experience into knowledge, which in turn modifies ideas and actions of individuals over a period of time (Kolb, 1984). As explained in Section 2.4, experiential learning has four distinct learning modes (concrete experience, reflective observation, abstract conceptualisation and active experimentation) and Kolb argues that affective learners touch all bases of the learning cycle (see Section 2.5.1). Second, internationalisation is a time-based process of entrepreneurial behaviour (Jones & Coviello, 2005). As discussed in Section 2.4, time is a key element that characterises early internationalising firms. Path-breaking internationalisation, de-internationalisation, the use of multiple modes of entry at one time, changes in market commitment and entry modes - are all ongoing processes that occur over time as firms try to maintain their operations (Chandra, 2007). All these factors challenge the assumption of a simple linear relationship between knowledge and foreign market commitment.

As outlined in Section 2.3, there is still no significant empirical evidence to explain variations in the internationalisation process. Nonetheless, the underlying assumption of

Johanson and Vahlne (1977) that experiential knowledge is the key driver of the internationalisation establishment chain is overused in the internationalisation research (Hohenthal et al., 2003). Chandra (2007) was one of the first to emphasise the importance of studying basic mechanisms of internationalisation. He argued that a process approach is most suited for developing a dynamic, process model of internationalisation that can explain inconsistencies in a firm's internationalisation establishment path/chain. Buttriss and Wilkinson (2014) followed this line of thought and proceeded to emphasise the importance of studying mechanisms and processes in the internationalisation of firms.

Chandra was one of the few researchers to focus on process approach to studying internationalisation in late 2000s and his latest publications reaffirm the need for a process approach to studying complex systems (see Chandra 2017). Chandra (2007: 108) argued that 'inconsistencies among the predictions of various mainstream theories of internationalisation may stem from our lack of understanding of the 'causal mechanisms' or generative processes of internationalisation'. 'A process or event-driven approach to internationalisation – studying the way that opportunities and firms evolve over time, space and context – offers new ways to understand underlying mechanisms of the internationalisation and to potentially reconcile these contradictory predictions and explanations' (Chandra, 2007: 111). This argument is in line with the discussion in Section 2.2, which outlined competing internationalisation models. Unfortunately, none of these internationalisation models agree as to what factors determine the varying degrees to which firms commit themselves to foreign markets or how individuals recognise foreign market opportunities (Forsgren, 2002; Hedlund & Kverneland, 1985; Millington & Bayliss, 1990). Similarly, none of these theories explain the causal mechanisms between experiential knowledge and foreign market commitment. This thesis seeks to establish that these inconsistencies can be explained by studying experiential knowledge as a process.

Third, there is an increasing body of literature that calls for the use of the process approach in internationalisation research (e.g. Aldrich & Martinez, 2007; Coviello & Jones, 2004; Jones & Khanna, 2006; Jones & Coviello, 2005; Liesch et al., 2013; McAuley, 2010; Middleton et al., 2011; Welch & Paavilainen-Mäntymäki, 2014; Zahra, 2005). In their review of the internationalisation process literature, Welch and

Paavilainen-Mäntymäki (2014: 2) found that the majority of studies ‘have not taken a processual approach that incorporates time, dynamism and longitudinal observations’. And this has been the case for quite some time, as is evident from Kutschker et al. (1997) who argued that the field of international management is dominated by static studies that do not incorporate time-dependent variables. Jones and Khanna (2006) also called for future research to explain how historical variations affect change. In the same vein, Zahra (2005) called for more process research into how early internationalising firms learn.

3.3 Case study research

3.3.1 Overview

The case study method of phenomenological enquiry is commonly used in a broad range of social science disciplines including international business, psychology, political science and management. Yin (2009: 18) defined a case study as ‘an empirical inquiry that: investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.’ A case study allows researchers to ‘understand a phenomenon in a holistic manner within its real-life context’ (Chandra, 2007: 109). Yin (2009) advised researchers to develop specific research propositions from existing theory, which then guide the data collection process. The use of qualitative methods and case study approach has been advocated by several scholars (e.g. Leicht & Lyman, 2006; Vahlne & Johanson, 2013; Welch & Paavilainen-Mäntymäki, 2014: 205). As outlined in Chapter 2, the research in this thesis will examine the role of experiential knowledge/learning on the internationalisation process of Australian professional services firms. The theoretical foundations and the conceptual framework (Section 2.6.2 and Figure 2.1) provide a template for the analysis of each case and presentation of the overall findings.

One of the main criticisms of the case study method is that it provides a small basis for generalisations. As Yin (2009: 15) put it, case studies: ‘are generalizable to theoretical propositions and not to populations or universes. In this sense, the case study, like the experiment, does not represent a “sample” and in doing a case study, your goal will be to expand and generalize theories (analytic generalisation) and not to enumerate frequencies (statistical generalisation).’ However, this shortcoming can also be one of

the main strengths of this method. Dubois and Gadde (2002: 554) mentioned: 'learning from a particular case (conditioned by the environmental context) should be considered a strength rather than a weakness', because context assists with the time-centred understanding and causal interpretations. Weick (1979: 37) argued that case studies are 'better tools than first imagined', because research 'findings are unstable over time' and consequent interpretations may change depending on the context that is being considered. In the light of studies with similar conclusions, Welch and Paavilainen-Mäntymäki (2014) proposed to place time and context at the centre of internationalisation process research by implementing longitudinal case studies, narrative analysis and mixed methods.

One of the most common misconceptions is that case study research, especially in comparison to experiments or surveys, lacks rigour and can be biased by the investigator to follow suitable findings and conclusions. However, Yin (2009) argues that experiments, surveys, as well as other research methods, are also commonly affected by the investigator's bias. Therefore, it is important to match the empirical evidence observed in the field and combine this with the corresponding theoretical approach.

Prior to the selection of ELT as the key framework for analysing the experiential knowledge construct used in this study, this study followed a 'systematic combining' process to match reality and theory of international business. In hindsight, this follows Dubois and Gadde (2002), who suggested 'systematic combining' as an alternative to 'inductive' and 'deductive' approaches to qualitative research. Such 'systematic combining' is grounded in an 'abductive' logic, which is a process where 'theoretical framework, empirical fieldwork, and case analysis evolve simultaneously' (Dubois & Gadde, 2002: 554). During this process, the analytical frameworks are reoriented by a researcher so that they correspond to the empirical world. As already discussed in Section 2.2.1, the Uppsala model did not provide a dedicated instrument to assess experiential knowledge and its role in the internationalisation process of firms. Subsequent studies have used proxies and surveys to capture experiential knowledge (see Section 2.3). Yet, these studies do not assess learning as a process, nor explain what exactly is learnt during the internationalisation process of firms in foreign markets.

Initial pilot studies for this PhD thesis involving Australian subsidiary companies revealed that the existing instruments that aim to capture experiential knowledge are overly simplistic. The learning processes described by the decision makers in companies are broad and complex. Similarly, the perception and self-assessment of own knowledge appeared to be unstable in a real time perspective.

Finally, to ensure strong rigour of this research, interviews and narratives were analysed using discourse analysis and sequence analysis techniques, which are explained below (see Section 3.4.4).

3.3.2 Justification for the use of qualitative case study research

A case study method allows us to understand the dynamic processes that have multiple causal chains (Miles & Huberman 1994). It also offers a good strategy to examine complex social phenomena and develop a holistic understanding of real life events (Yin, 2009). Case studies are ideal when questions lead to descriptive or explanatory studies (Yin, 2009). Case studies allow a deeper understanding of any construct and generally incorporate a longitudinal approach (Kimberly 1976; Remenyi et al. 1998). From a practical perspective, a case study allows for greater external validity by looking at the real-life decision-making context (Yin 2009).

Case study research is an empirical enquiry into a phenomenon that needs to be studied within a real-life context (Shenkar, 2004). It is one of the methods of qualitative research that are well-suited to the study of internationalisation processes and is actually the path followed by the seminal studies that led to the Uppsala model to understand the internationalisation process of the firm (Johanson & Vahlne, 1977, 1990, 2003, 2009; Johanson & Wiedersheim-Paul, 1975; Middleton et al., 2011; Nummela et al., 2006; Vahlne & Johanson, 2013; Welch & Wiedersheim-Paul, 1980).

Quantitative methods used in social sciences are most appropriate for capturing concrete structures. Quantitative methods generally rely on manipulating data through multivariate statistical analysis or other statistical approaches that are best suited to understanding empirical snapshots of isolated phenomena at fixed points in time (Morgan & Smircich, 1980). As explained by Strauss & Corbin (1998: 32), ‘... *the researchers must think of quantitative procedures as representing not the enemy but rather a potential ally to theory building when its use seems appropriate*’. Section 2.3 explained that

the main shortcoming of using such a variance-based quantitative approach, as it often relies on overly simplistic proxy indicators to measure experiential knowledge. As per Henwood and Pidgeon (1992: 105) there are '*no methodological criteria capable of guaranteeing the absolute accuracy of research*' – the rigour of qualitative and quantitative research relies entirely on the hard work of the researcher and the adequacy of research methods used.

When it comes to the behaviour of individual firms, questionnaires are often unable to capture the rich multifaceted nature of phenomena (Vernon, 1994). Consequently, such quantitative research is generally unable to capture the learning process and explain what has been learnt and how learning informed decisions. Hence, a deeper understanding of experiential knowledge requires qualitative forms of investigation to capture processes, historical change and contextual information (Johanson & Vahlne, 2009; Morgan & Smircich, 1980).

Qualitative research will enable the exploration of meanings, contexts and practices that explain individual decision-making (Gemmell, 2013; Maxwell, 2005). Phenomenology aims to identify a phenomenon through the experience of informants (Remenyi, Williams, Money, & Swartz, 1998), while ethnography focuses on the interaction between the phenomena and the surrounding context (Fetterman, 1989). A combination these methods will be used to examine the role of experiential knowledge in the internationalisation process of Australian professional services firms. The grounded theory approach is not used in this research project, because this approach rejects a-priori theory (Strauss & Corbin, 1990), while the research problematisation in this project is guided by ELT and the Uppsala internationalisation model.

This research seeks to explore the experiential knowledge/learning at micro-processes level (i.e. sub-sequences of events that lead to a specific outcome) and its role in foreign market commitment of firms, as well as the firm-level entry-mode change (i.e. occasional export, independent sales agent, joint-venture or wholly-owned subsidiary). Within-mode or micro-level change will reflect the state of experiential knowledge rather than the current stage of internationalisation. This research approach will strengthen the precision, validity and stability of findings, especially when dealing with

cases that look similar at the macro-level (Miles, Huberman, & Saldana, 2013). The following subsection will explain the reasoning for the use of multilevel data analysis.

3.3.3 Multilevel data analysis

The case studies in this project are presented using a multilevel modelling approach to determine factors influencing the internationalisation process. Hitt et al. (2007) argued for the importance of multilevel research in order to integrate micro and macro behaviours. Further, Dosi and Marengo (2007: 491) maintained that evolutionary and behavioural theories, such as the Uppsala internationalisation model, should incorporate an ‘embeddedness’ view of organisations, where ‘visions of the world’ are formed by the surrounding context. Individuals develop their behavioural patterns in the course of learning, as a result of past failed attempts that might lead to unanticipated outcomes (Dosi & Marengo, 2007: 499). As such, the micro-level experiential learning processes of key decision-makers tend to lead to organisational actions at a higher level, such as setting a market entry mode and an internationalisation path. Dosi and Marengo (2007: 499) claimed that multilevel analysis and the study of relationships between ‘micro- and macro-processes is a major frontier bridging organisational and economic analysis that we believe is a fruitful area for future research’.

Figure 3.3: Multilevel research analysis

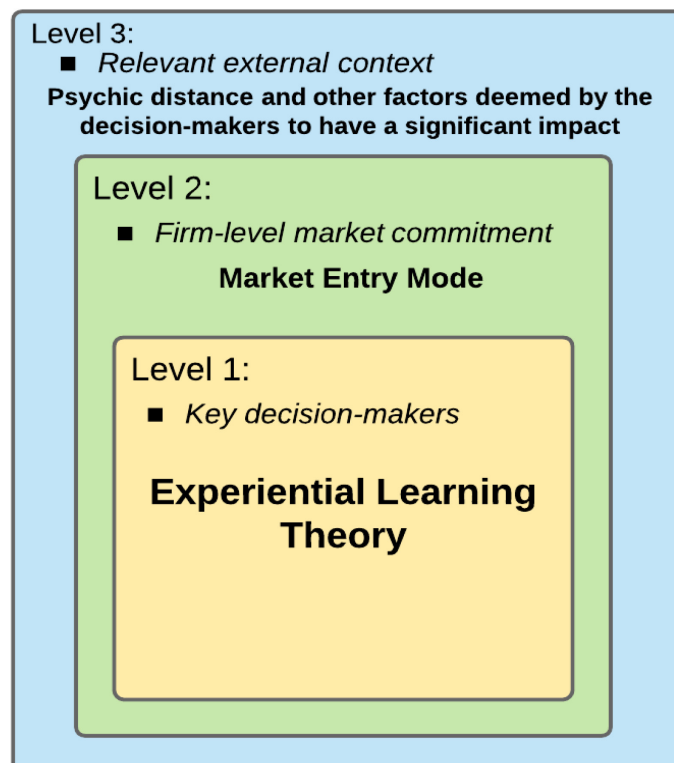


Figure 3.3 shows that the first level of data collection and analysis (the micro-level) in this study will focus on key decision-makers/individuals to probe their experiential knowledge accumulation before it is institutionalised at the firm-level (as discussed in Section 2.5.2). For instance, Gioia and Chittipeddi (1991) demonstrated that individuals are reluctantly involved in 'sense-making' prior to the formulation and implementation of strategies at the firm-level. Westphal and Fredrickson (2001) also provided empirical evidence that past experiences of a CEO will directly influence the strategic direction of a corporation.

The importance of micro-level analysis is supported by the 4I framework of Crossan et al (1999), which argues that experiential knowledge is first captured by individuals who then feed-forward the information to the firm-level (as discussed in Section 2.5.2). The complexity of decision-making involved in the internationalisation process leads to a breakdown between firm-level rationality (calculative approaches reflective of the rationalist theory of the firm) and individual-manager judgement. Buckley et al. (2007) concluded that it is difficult to reconcile with existing theory how managers choose specific investment opportunities because factors that are considered at each stage of the internationalisation are not going to be the same. Buckley et al. (2007: 1086) stated that 'the manner in which IB researchers have analysed FDI may have introduced artefacts into their results ... just looking at the consideration set formation, it is likely that an investigator will walk away thinking that the rationalist theory of the firm approach is confirmed'. For this reason, this PhD thesis will prioritise key decision-makers as the unit of analysis.

Figure 3.3 shows that the second level of data analysis is the firm (meso-level). The analysis at this level facilitates an examination of the possibility that Australian professional services firms adopted organisational processes that allowed proactive responses at times of uncertainty. The analysis at the meso-level will facilitate assessment of within-entry-mode changes in foreign market commitment (an increasing specialisation of the firm's resources to a foreign market) as well as the more obvious firm-level change (an evolution from export to a joint venture, and then a wholly-owned subsidiary).

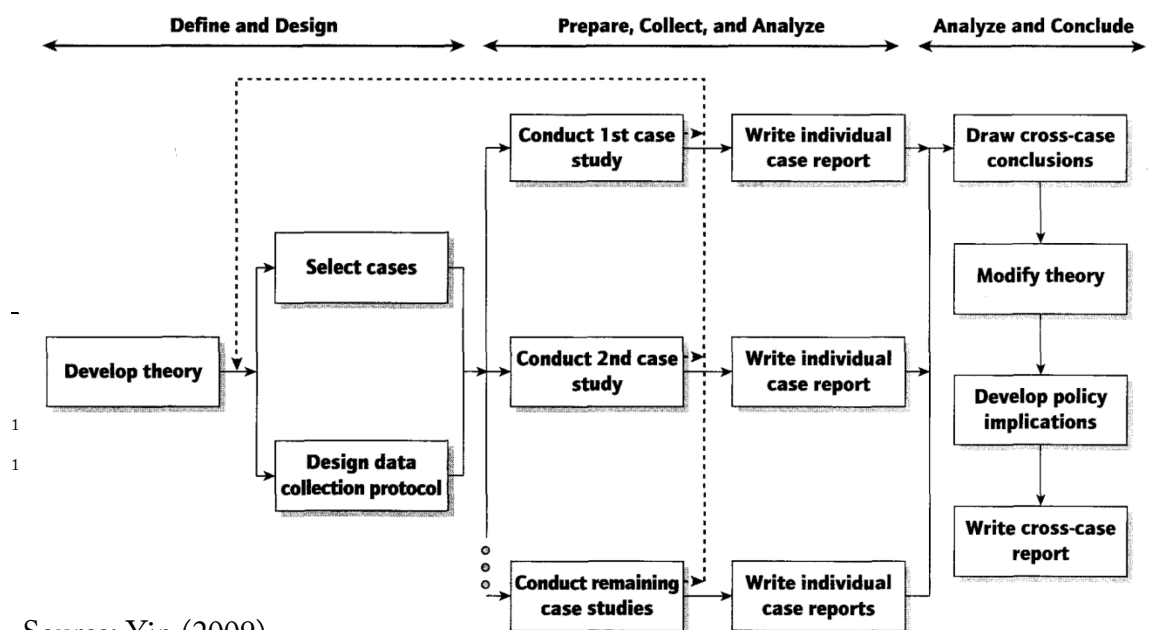
The third level of analysis (macro-level) will briefly consider the external context within which a firm operates if there is evidence to suggest that it has a significant impact on the internationalisation process of the firm. This is important because a host country provides a specific contextual environment that may influence strategic decisions and the internationalisation process of firms. For example, Johanson and Wiedersheim-Paul (1975: 24) argued that the flow of information (learning) is negatively influenced by the psychic distance between countries (differences in language, culture, political system, level of education as well as other factors).

3.3.4 Designing multiple case studies

The multiple case study is one of the hardest methods due to procedural uncertainties during the course of research. A case study requires the investigator to be adaptive and flexible, with a good knowledge of the issues being studied, with the skill to ask good questions and the ability to avoid bias. A case study research design has three distinct phases: 1. Define and design; 2. Prepare, collect and analyse; 3. Analyse and conclude (Yin, 2009). Each one of these phases are summarised in Figure 3.4 below.

The first step in designing the study consists of theory development. This is followed by the definition of specific instruments/measures for the data collection process. If the case studies lead the researcher to an important discovery, it might be necessary to reconsider the initial theoretical propositions. This is illustrated by the discovery feedback loop in Figure 3.4. This feedback loop allows a continuous interplay between induction¹⁸ and deduction¹⁹. The researcher then writes individual case reports describing how and why one or more cases support a particular proposition. These case

Figure 3.4: Case Study Research Design



Source: Yin (2009)

reports effectively link data to the initial theoretical propositions. Yin (2009) recommends pattern-matching as the most desirable technique for analysing the data. This technique compares the sequences of information from the cases to relevant theoretical propositions in order to determine the extent to which they correspond. Individual case reports then provide the basis for cross-case analysis, which is followed by the revision of the initial theoretical propositions and relevant analytic generalisations.

A single-case study, rather than a multiple-case study design, is preferred in some circumstances, such as a longitudinal case, a revelatory case, a critical/unique case in testing a well-formulated theory, and a representative or typical case (Yin, 2009: 51). However, in other instances the single-case study cannot be regarded as comprehensive research on its own. Evidence from multiple case studies is often considered more compelling and robust (Yin, 2009: 53). Multiple-case designs should follow a 'replication' design, not a 'sampling' design (random case selection). According to the replication logic, 'each case must be carefully selected so that it either (a) predicts similar results (a literal replication) or (b) predicts contrasting results but for anticipatable reasons (theoretical replication)' (Yin, 2009: 54). It is essential to develop a rich theoretical framework, which can explain under what conditions a particular phenomenon is likely to take place. According to Yin (2009), this theoretical framework later becomes a vehicle for generalising new cases. Most commonly, 6 to 10 cases are sufficient for research projects that use the multiple-case study design.

3.3.5 Justification for the application of process approach to case study research

The application of process approach to case study research in this research project is inspired by Chandra (2007) and Buttriss and Wilkinson (2014), who used this method to study the temporal processes, critical events and dynamics of firm internationalisation. Chandra (2007) argued that the process approach to case study analysis is well-suited for the reconstruction and mapping of the chronology of events. Time series analysis can be used to research a temporal sequence of events prescribed by the initial theoretical propositions. This requires specific procedures during data collection phase to collect time-related information. Because time series analysis is designed to compile and trace the chronology of events over time, Chandra (2007: 114) argues that 'there is a natural fit between process approach and case study research

methodology'. Combining these two approaches will enable a researcher to study the evolution of experiential knowledge over time and its role in determining key decision-makers behaviour within a specific contextual environment, which in turn leads to a specific form of foreign market commitment at the firm level (market entry mode).

3.4 Conducting the research

This section provides a detailed description of the research process, in line with the guidance provided by Yin (2009) as well as other scholars that utilised the process approach as part of case study research. Table 3.2 provides a summary of the research process and relevant decisions/actions made for the purpose of this research project. The key aim of this section is to explain and justify specific decisions made throughout the research process.

Table 3.2: Process approach using multiple case study design

Phase	Key Steps	Description
Define & Design	<p>1. Defining the research questions and unit of analysis [Chapters 2 and 3]</p> <p>2. Specify theoretical propositions from the literature [Chapter 2]</p> <p>3. Design data collection plan [Chapter 3]</p>	<p>1. RQ1: What is the experiential knowledge of professional services firms? RQ 1a: How does it develop over time, where does it reside and what constitutes the stock of experiential knowledge? RQ 2: What is the role of micro-processes in acquiring, accumulating and analysing experiential knowledge advantages for strategic purposes? RQ 2a: How does experiential knowledge affect cross-border opportunity recognition and/or market commitment of professional services firms? RQ 3: Why do professional services firms choose to internationalise: alone (exports/greenfield venture) or through partnerships (export through an agent/joint venture)? RQ 3a: How are professional services firms using experiential knowledge gained alone or through partnerships? Unit of analysis: multilevel, with the main focus on key decision-makers within the firm.</p> <p>2. The underpinning role of experiential knowledge/learning operationalised using the Experiential Learning Theory (ELT) in the internationalisation process of firms.</p> <p>3. Multiple-case study designs; Australian internationalising professional services firms; Interview protocol with open-ended questions market choice and opportunity recognition; University ethics clearance.</p>

	<p>4. Conduct the exploratory pilot study [Chapters 3 and 5]</p> <p>5. Revise propositions and data collection plan [Chapters 2 and 3]</p>	<p>4. Six pilot studies of Australian subsidiaries in the European Union were conducted in 2012. Case histories were constructed, with relevant within-case and cross-case analysis. However, only one case is discussed as part of this dissertation (see Chapter 5). This is due to a revised theoretical focus on SMEs and professional services firms (the other 5 cases were large multinational enterprises and thus are not discussed as part of this research).</p> <p>5. Subsequent literature review, guided by the results of the pilot study, helped to develop the conceptual model outlined in Section 2.6.2. Based on the pilot study, there is a natural fit for the ELT; it is well-suited for operationalising the experiential knowledge construct with the purpose of explaining its role in the internationalisation process of firms. The research questions and theoretical propositions stated above (description 1 and 2) already reflect the findings of the pilot study.</p>
Prepare, Collect & Analyse	<p>6. Finalise data collection plan and theoretical sampling [Chapter 3]</p> <p>7. Select cases and conduct case study research [Chapters 3 and 4]</p>	<p>6. Multiple-case study designs, revision of the interview protocol to incorporate theoretical aspects of the ELT. Theoretical sampling used to select firms with deferring modes of entry and therefore the sample had a varying degree of foreign market commitment.</p> <p>In accordance with the assumption of Johanson and Vahlne's (1977) about a positive relationship between experiential knowledge and foreign market commitment, this sample potentially allows this study to capture a variation in experiential knowledge and learning patterns of internationalising firms.</p> <p>7. Seven cases were studied. Interviews were conducted with key decision-makers within each firm. A follow-up phone interview was conducted within 2-3 months for six cases; One case was followed up 2.5 years after the initial study. The longitudinal data collection allowed me to capture relevant internationalisation change over time.</p>

Analyse & Conclude	<p>8. Reconstruct and map the chronology of events [Chapter 5]</p> <p>9. Conduct clustering analysis of sequence data (using into relevant distances between the codes/events) [Chapter 5]</p> <p>10. Analyse case study evidence, conduct within-case and cross-case analysis [Chapter 5]</p> <p>11. Draw cross-case conclusions and refine initial conceptual model and propositions [Chapter 5]</p> <p>12. Write cross-case findings and conclusions [Chapters 5, 6]</p>	<p>8. A chronology of events was created for each case, with the main focus on critical occurrences that stimulated learning and/or foreign market commitment. Follow-up interviews and archival research where used to complete relevant information.</p> <p>9. Sequence analysis of code co-occurrences was used to assess rival theoretical explanations and establish causal processes of firms' internationalisation.</p> <p>10. Pattern-matching was used to link case study evidence to the theory.</p> <p>11. Cross-case conclusions were drawn and compared to the findings in the existing literature.</p> <p>12. Cross-case findings and conclusions were drawn, including the results of the sequence analysis.</p>
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Note: Chapter numbers refer to chapters in this study.

Source: Adapted from Chandra (2007).

3.4.1 Research design phase

The 'define and design' phase required the definition of key research questions, establishment of the unit of analysis, specification of the theoretical framework and propositions from the literature, and, design of a data collection plan.

Defining the research question

Chapter 2 provided a detailed review of the internationalisation literature and identified several gaps that form the basis for this study. The research questions follow from these gaps and are summarised in Section 2.6.1 and Appendix D.

Defining the unit of analysis

This study aims to examine the role of experiential knowledge/learning in the internationalisation process of Australian professional services firms. In line with suggestions by Welch and Paavilainen-Mäntymäki (2014), it is important to study the internationalisation of firms as a process, which requires a longitudinal multi-level approach in order to trace changes in experiential knowledge and foreign market commitment over a period of time. This will help to clarify what exactly key decision-makers learn during the internationalisation process, how this stock of experiential knowledge is accessed by individuals, whether or not it is accumulated at the firm level, as well as how it is important.

Consequently, the unit of analysis in this study are primarily individuals and key decision-makers within a firm (micro-level analysis). It is important to examine a sub-sequence of events experienced by these key decision-makers in relation to the knowledge accumulation process. The analysis in this study is based on what the key decision-makers believe/perceive to be important in the internationalisation of their firms. In order to assess whether firm-level processes contribute to the accumulation of the experiential knowledge this research will look into firm-level routines. The firm-level analysis will also capture changes in foreign market commitment and entry modes. Finally, to account for the role of psychic distance which distorting the flow of information between cost and home country, as suggested by Johanson and Wiedersheim-Paul (1975: 24), this study will also consider the external context within which each firm operates. This context will be considered if interviewees perceive this to

have been a significant factor in their learning and/or in the internationalisation of their firms.

This research project research adopted a research design which involves multiple-case studies with embedded units of analysis (described as ‘Type 4’ research design in Yin, 2009: 47). This approach is in line with other prominent studies in the field of the research on firm internationalisation. According to Johanson and Vahlne (2009: 1421), ‘the relationship between market entry order and psychic distance applies at the level of the decision maker, not at that of the firm’. Buttriss and Wilkinson (2014: 7) argued that process studies should be done at various levels of analysis, because events and mechanisms ‘form a nested system in which each type can be decomposed in terms of more detailed mechanisms reflecting physical, biological, psychological, social, economic, organizational and network processes’. Please refer to Section 3.3.3 for a detailed explanation of the multilevel data analysis and Figure 3.3.

Specify theoretical propositions from the literature

Based on the literature review (see Chapter 2), the initial proposition - prior to the commencement of the pilot study - was that experiential knowledge shapes a firm’s foreign market commitment. This is in line with the key assumption of the Uppsala internationalisation model. However, the pilot study demonstrated that key decision-makers at Straker Translations did not perceive that they have had a high degree of experiential knowledge at the time when they set up a wholly owned subsidiary in the Republic of Ireland (see Chapter 5 for further discussion). The pilot study demonstrated that the internationalisation path of firms is heavily influenced by specific sequences of events that then trigger various learning patterns of the key decision-makers within the firm. These specific events occur within a particular context and over a period of time.

The findings of the pilot study also informed the subsequent literature review and the selection of the ELT as the key framework for the assessment of the experiential knowledge construct. This led to the conceptual model which incorporates Kolb’s learning styles, as well as a set of research questions (Section 2.6). Consequently, a new wave of data collection and analysis was conducted to examine the final research propositions.

3.4.2 The prepare, collect and analyse phase

Data collection plan and theoretical sampling

Qualitative case studies require the selection of cases on the basis of theoretical significance, unlike hypothesis-testing studies that rely on statistical sampling (Yin, 2009). Theoretical sampling allows researchers to replicate and test the findings under a different set of conditions. This logic is analogous to that used in multiple experiments and it is important for case study research (Yin, 2009: 54). Based on the theoretical scope in this research project, the seven cases are Australian professional services firms that are undergoing a process to internationalise their operations.

The selected cases have used different foreign market entry modes and therefore have a varying degree of foreign market commitment (see Chapter 4). The four market entry modes (occasional export, independent sales agent, joint-venture, wholly owned subsidiary) indicate an increasing degree of foreign market commitment (as was discussed in Chapter 2). The selection of cases of firms that are at different stages of internationalisation helps to maximise the variance in the sample. This selection allows us to examine the current assumption regarding the positive relationship between experiential knowledge and modes of entry/foreign market commitment (discussed in Section 2.2.1).

This research project considers seven cases, which is sufficient to ensure literal replication and demonstrate contrasting patterns (Yin, 2009). This number is also sufficient for analytical generalisation of the outcomes of internationalisation processes to a broader theory. This study will not generalise the results to a particular population. Therefore, statistical generalisation is not necessary as long as theoretical saturation can be achieved.

Data gathering methods

Potential participants for the case study research were selected from the ACT Exporters' Network, Australian Trade Commission, ACT Economic Development Directorate, Canberra Business Council as well as other ACT, NSW and Federal Government sources. The scope of the research project covers only professional services firms initially located in the Australian Capital Territory, New South Wales and Victoria.

Multiple interviews were conducted with key decision-makers within each firm who influenced the internationalisation path. Data gathering methods included desk research,

semi-structured interviews and the study of relevant archival documents. The comparative analysis of the internationalisation process was conducted for the seven firms (discussed in Section 3.4.3).

To start, a letter was sent to the potential participants explaining the main aims of the study and the reason why their company was selected for this research. Eight Australian professional services firms responded positively to this initial approach and were contacted for further discussion about their participation in this study. Seven out of eight firms agreed to participate in this research. Most of these companies used multiple entry modes in the internationalisation of their operations, and they internationalised into psychically close as well as psychically distant markets (for a detailed description of the cases see Chapter 4). Most importantly, the seven case studies were sufficient in number to be able to draw meaningful conclusions from the analysis of their experiences.

The comparative case study research is based on a well-balanced set of participants that offer an optimal variety of characteristics that influence internationalisation market commitment and selection of entry mode. Such variation helps to sharpen the analysis of the differences in firm internationalisation in relation to micro-processes of experiential knowledge accumulation. For the purpose of this research, participants were encouraged to not only focus their responses on the positive outcomes of the internationalisation of their companies, but also recount any negative consequences of internationalisation decisions. Interviewees were not required to disclose very specific details of their experiential knowledge/learning experiences that may have caused them to breach any commercial-in-confidence commitments.

This research project incorporates a longitudinal approach; interviews were collected at two points in time to capture relevant changes in experiential knowledge and the internationalisation process of each firm. Six of the cases were followed up within a 2 to 3 months timeframe and one case, which was also examined as part of the pilot study, was reinterviewed within 2.5 years. Aspects of longitudinal research were also captured in this project through the study of archival data, which also served the purpose of placing the reasons behind internationalisation changes in a broader context of change in the relevant industry and economies in home and host countries.

Furthermore, to minimise problems associated with the respondents' memory recall, the sampling process targeted firms that are still undergoing the internationalisation process and/or were in the process of targeting new, previously untapped markets.

Semi-structured interviews were conducted with key decision-makers within each firm (in line with Johanson & Vahlne, 2003; Middleton et al., 2011). This included representatives of senior management, owners of the firm and/or other individuals with relevant decision-making authority. In some cases, a single individual would represent the whole firm due to a small size of the business. An interview protocol was developed for this research. The protocol queries the themes related to foreign market opportunity recognition, the reasoning behind the internationalisation initiatives, difficulties experienced during the internationalisation process and relevant resolution strategies, clarification of the key individuals involved in the decision-making process as well as their personal qualities and learning patterns/preferences. The interviews were very much focused on identifying the processes, behaviour and events that were critical to the formation of experiential knowledge and the recognition of foreign market opportunities. Appendix E contains the interview protocol used for the main part of this research project.

All interviews were digitally audio recorded and transcribed for coding and further data analysis. The length of the interviews varied between 40 minutes and 130 minutes. The first round of interviews was conducted during September-December 2013, with follow-up interviews within a 2-3 months period. One case dates back to May 2012 which is when the initial pilot study had been conducted. This case provided rich data on the role of knowledge in the internationalisation process, which guided the further design of this research project. In this case, follow-up enquiry was conducted in 2014 and included in the analysis.

For the purpose of this project, efforts were made to access secondary data sources, conduct field observations, and study relevant archival data to triangulate responses from the interviews. Memos were collected during the interview and throughout the data analysis to capture important themes or ideas that emerged during the research process. The memos helped with the writing of each case analysis, served as a useful sense-

making tool during the research process, and were part of a triangulation to enhance the validity of the study (Chandra, 2007; Miles & Huberman, 1994). Internal archival documents, that illustrate the commitment of a firm to the internationalisation process, were only made available for one case study. Due to the dynamism of the internationalisation processes and the relatively small size of the participating firms most of them were unable to share internal documentation relevant to their internationalisation processes.

3.4.3 *Data analysis*

Reconstruct and map the chronology of events

Process-based research generally unfolds in three main stages: 1. Identification of the key events taking place; 2. Identification of the sequences and sub-sequences of events that occur over a period of time as well as how they are related; 3. Explanation of the sequences of events in terms of the causal mechanisms or overall patterns (Abbott, 1990; Buttriss & Wilkinson, 2014; Chandra, 2007; Van de Ven & Poole, 2005). Events of interest in this study are specific learning patterns and occurrences that trigger the accumulation of experiential knowledge. Events that influence foreign market opportunity recognition and subsequent internationalisation attempts are of great interest to this study. Based on the literature review (Chapter 2), it is expected that other events, such as business relationships, prior knowledge and experience of key decision-makers, are also connected to the internationalisation processes of firms.

For each case, a chronology of events was reconstructed on the basis of a detailed study of the interview transcript and by taking account of the memo notes taken during the interview. Outcomes of archival research were used to cross-check the information and identify missing details. Where necessary, research participants were contacted to clarify the accuracy of the information.

For each case, a timeline was created to reconstruct the key events and response actions taken by the decision makers. This timeline includes relevant learning experiences, prior knowledge as well as other individual qualities that would influence the opportunity discovery and subsequent internationalisation decisions. The timeline also captures changes in the justification and reasoning for the internationalisation attempt and outcome. The follow-up interviews sought to probe how new learning experiences

influenced the decision-making process and internationalisation behaviour. Chapter 5 contains the timelines that map the chronology of internationalisation events for each firm and also the discussion of findings for each case. At this stage, it is relevant to note that the findings illustrate that the self-assessment of knowledge by the key decision-makers within the firm is influenced by a specific flow of events that led to new information. In some cases this information was unforeseen and it significantly altered the internationalisation behaviour.

Within-case and cross-case analysis

A multiple case-study approach includes within-case and cross-case analysis to identify relevant data patterns. The case evidence was compared against the conceptual framework which incorporates ELT, absorptive capacity theory and the Uppsala model (see Section 2.6). Each case was reviewed against the research questions specified in Chapter 2. This research project identified unique patterns within each specific case prior to the commencement of cross-case analysis (Eisenhardt, 1989). Within-case analysis was guided by the interview transcripts, memos as well as the timeline which mapped critical events in relation to the internationalisation process. Furthermore, clustering was used to measure the sequence data (i.e. unique event sequences identified through the coding process) for cross-case analysis. This will be discussed in greater details in Section 3.4.4.

The content analysis followed the multi-level structure as recommended by Pettigrew (1990), to capture not only macro change (entry mode) but also intra-mode change that reflects market commitment as a result of experiential knowledge/learning. Focus is placed on event-driven explanations rather than macro-level changes (Buttriss & Wilkinson, 2014; Van de Ven & Engleman, 2004). Pattern-matching was conducted to strengthen internal validity of the study (Yin, 2009).

Interview narratives were integrated as part of the case studies to highlight the role of experiential knowledge in relation to the internationalisation process. Narrative approaches are recognised as valid methods in studying specifically learning processes (Rae & Carswell, 2000). For the purposes of this study narrative is defined as at least three elements - 'an original state of affairs, an action or an event, and the consequent state of affairs' (Czarniawska-Joerges, 1998: 2) - along with relevant context that puts

these elements into a meaningful role (Buchanan & Dawson, 2007; Czarniawska-Joerges, 1998: 2)). Case studies that include discourse/narrative analysis allowed this project to probe the context of learning (Rae, 2005). Polyvocal narratives serve the purpose of possibly presenting contrasting versions of the same event by different individuals and further contribute to the triangulation of data (Buchanan & Dawson, 2007). Welch and Paavilainen-Mäntymäki (2014) also suggested using narrative analysis to study the internationalisation of firms as a process. Research narratives can assist in understanding the change processes that lead to learning and consequent re-evaluation of the foreign market opportunity.

All interviews were transcribed and coded using Atlas.Ti and QDA Miner software package. Open coding was followed by axial coding and selective coding (Strauss & Corbin, 1990). As part of open coding, the data were categorised and labelled depending on the relevant themes to present substantive categories. Axial coding interconnects these categories in order to outline interrelated sequences of events and contextualise specific phenomena (Strauss & Corbin, 1998). Selective coding helped to refine and integrate the initial code categories. Process coding was also conducted to explore a sequence of actions/events that occurred over a period of time. The coding of the data allowed further analysis through visual-mapping, which is implemented in Chapter 5 as part of the analysis to present complex change processes (Miles et al., 2013). To prevent a potential research bias during the coding process, coding was peer reviewed by another researcher. Furthermore, the original quotes are provided in the discussion of findings in Chapter 5 and can be independently cross-checked against the specific codes.

3.4.4 Text analysis (sequence methods)

The sequence analysis method was adapted from genetics to social science by Andrew Abbott in mid-1980s. Sequence analysis serves as a descriptive approach to study time-related phenomena. This method is now widely used in sociology, as well as in political science where it is used to analyse sequence data such as biographies, personal histories and processes of individual development. Sequence analysis can capture time in its explicit (e.g. developments that occur over the course of day or a week) and implicit forms (e.g. rhetorical steps in speech) (Blanchard, 2011). The implicit time-analysis of text and narrative is possible because ‘speech unrolls inside time’ and this time sets the underlying order (Blanchard, 2011: 2). As (Blanchard, 2011: 7) mentions: ‘Any spoken

or written discourse being a string of characters, words, sentences and paragraphs' can be analysed using the sequence analysis method. An interview presents a narrative that generally has an ordered listing of events which occur in a specific sequence. Therefore sequence methods can be used to identify patterns that exist between these events/sequences.

Section 2.2.1 outlined Abbott's (1990) argument that the major problem for studies in organisational behaviour, which is also applicable to the studies of the internationalisation process of firms, is the difficulty in conceptualising and measuring data that are used to capture a sequence of events or actions. Abbott applied the idea of using sequence analysis to sociological research. The sequence analysis method is now common in life course research to study career patterns of individuals. In principle, this method can also be applied to study the life course of a firm, or a life course of specific individuals within that firm, as far as it contributed to specific firm-relevant outcomes. Moreover, Figueira-de-Lemos, Johanson, and Vahlne (2011) explicitly called the Uppsala model's internationalisation mechanism 'the sequence', however their study did not apply sequence analysis to explore this subject. 'The sequence' is defined by the authors as 'the increase in market knowledge [which] leads to the reduction of uncertainty and to a stronger commitment' (Figueira-de-Lemos et al., 2011: 148). Therefore, the idea of studying the internationalisation process as a sequence, where the interplay between knowledge accumulation and foreign market commitment is of primary interest, is not new. However, sequence analysis method still has not been applied in prior studies.

While there are a few critics of the sequence analysis method (e.g. Levine, 2000; Wu, 2000) the method also has a significant number of supporters (e.g. Aisenbrey & Fasang, 2010; Biemann & Datta, 2014; Gauthier, Widmer, Bucher, & Notredame, 2009; Halpin, 2013; Hollister, 2009; Lesnard, 2010). Biemann and Datta (2014) argued that sequence analysis is an underutilised tool in management research. They pointed out that there are only two studies in the management field that used the method. Stark and Vedres (2006), who reviewed a firm's network pathways and foreign investment, and Shi and Prescott (2011) who reviewed a set of acquisition and alliances sequences. However, there are no studies in the field of international business that applied the sequence method to study narratives. Biemann and Datta (2014) maintained that the limited

application of sequence analysis in management research is due to the fact that most researchers are unfamiliar with this method of analysis and its potential. Admittedly, sequence analysis is a method for collecting, ordering and presenting patterns in data. It is not a substitute for the researcher who is tasked with the analysis and interpretation of such data.

Macindoe and Abbott (2004) argued that sequence patterns can be observed not only in real time, but also in purely abstract order. They provided examples of studies that show that there are patterns in rhetorical structures in sociology articles, folktales and dance sequences. Relating this to this research project, the fact that the interviewees do not necessarily deliver their story in a linear time manner makes little difference due to the flexibility of the sequence analysis method.

Blanchard (2011) summarised the four main goals of the sequence analysis as follows. First, the sequence analysis is used for descriptive statistics that can assist with causal modelling and provide a visualisation of sequence data. Second, the sequence analysis is based on the inductive approach and it is used to find natural groupings and patterns within data. It is also used to measure the degree of similarity and difference by using optimal matching analysis. The optimal matching analysis implements an algorithm to calculate a distance between sequences (see *Calculation of the distance matrix* section, page 109). Third, the sequence analysis can be implemented to examine a dominant pattern inside a given data. Finally, sequence analysis can explain trajectories and look for causal relationships between variables and clusters. At the same time, sequence methods provide input for further exploratory analysis and provide a good alternative to conventional hypothesis testing methods (Macindoe and Abbott, 2004). Clusters of sequences can later be used as independent variables to predict specific outcomes of interest.

As noted above, sequence analysis originated in genetics and has since been applied to social sciences. The development of sequence analysis method in natural sciences has influenced its further usage in the social sciences. In the sciences, it is most commonly used by bio-computing specialists, who compare DNA strings and assess their similarity. Blanchard (2011) proposed that social sequences show structures very similar to that of DNA strings. However, social sequences can be relatively shorter than DNA, and their

alphabet (code) is often larger than the four DNA nucleobases. In addition, social sequences are more complex, as DNA nucleobases are easier to deal with because they can be objectively distinguished from each other. In contrast, social sequences require individual interpretations of specific states/events which can potentially harbour a degree of subjectivity. The accuracy of the coding process is therefore critical to the adaptation of this method to the analysis of the data at hand. Unlike biology, social science requires the interpretation of the sequence results. The coding of data can also be regarded as one of the strengths of this method as it allows the consideration of relevant contextual detail. In this research project, the coding process accounted for relevant interpretations and meanings which allowed it to incorporate context as part of the analysis.

There are three basic dimensions to social sequences: the nature of the specific event, which is associated with the code; the order in which these events occur; and, the duration of constant subsequences (Blanchard, 2011). These dimensions allow researchers to study recurring patterns within data. 'The optimal matching algorithm aggregates sequences that look the same', as well as those that partly or completely match (Blanchard, 2011: 5). An optimal matching algorithm will group codes/sequences on the basis of their similarity, which allows a researcher to identify recurring patterns. Then, the key task for the researcher is to interpret 'what determines the sequences and what they in turn determine' (Macindoe & Abbott, 2004: 388).

Starting in the early 2000s, sequence analysis has been used to study a life course of individuals and the method has been adapted to account for the context within which individuals evolve. Blanchard (2011) argued that political sociology can make use of the sequence analysis method to trace the characteristics of specific individuals as well as relevant organisational and micro-level phenomena. Therefore, this method is well-suited to the study of company internationalisation, where individuals at micro-level influence the firm-level change and are subject to broader macro-level contextual issues. Sequence analysis is focused on the 'events/states that occur to individuals, with a strong accent put on the context of these occurrences' (Blanchard, 2011: 9).

Any sources of diachronic data (i.e. data that shows a change of phenomena over time) are suitable for sequence analysis, as long as the data are systematically collected over a period of time (Blanchard, 2011). Biemann and Datta (2014: 53) claimed that sequence

analysis 'can be applied to any sequence that is made of a finite set of different stages (e.g. the development of organisational routines over time, sequences of work tasks, individual career trajectories)'. In this research project, the sequence analysis is conducted on the aggregated data which includes multiple timeframes. The project did not conduct sequence analysis of each interview taken at a different point in time due to the fact that follow-up interviews might be less systematic and shorter if compared to the initial narrative provided by the participants. This is because the initial interview often took much longer and covered a wider range of issues whereas the follow-up interviews took place 2 to 3 months later and were generally shorter. The follow-up interviews generally suited the purpose of examining whether or not a specific change occurred within an organisation and why, and the interviews themselves were for that reason less suitable for sequence analysis.

As already noted in Section 3.4.3, there are several steps involved in sequence analysis. There are three main steps. The first step is the coding of data. The second is the calculation of similarity between each pair of sequences. The third step is the hierarchical clustering analysis of the distance matrix.

Coding and sequence analysis

The first step is to assign a sequence (code) to each unit of analysis (Biemann & Datta, 2014). In this research project, the interview narratives were coded by using 78 unique codes. Some of these codes were derived on a theoretical basis and can be grouped into families. As an example, the 'Learning Process' family consists of the following codes that were derived from the Kolb's ELT: Accommodating, Converging, Assimilating, Diverging, Experiencing and Abstract Conceptualisation modes of grasping experience as well as Active Experimentation and Reflective Observation modes of transforming experience (see Section 2.5.1 for relevant explanations). The learning process family also consists of the following open codes that were implemented to assist in the analysis of data: Explicit & Tacit Information, Description of How Individuals Learn, Specific Examples of Learning by Doing, Overall Things Learnt, Learning by Doing: Negotiations, Cultural Attitudes Learnt through Direct Involvement. A detailed list of all the codes used in this research project is provided in Figure 5.18 (see page 220).

The sequence analysis takes the whole sequences of data as its unit of analysis, rather than individual data points. Blanchard (2011: 12) argued that it is important to develop a system of code that captures all possible states/events during the trajectory under study. That is why the interviews are coded using 77 different codes, some of which are derived from the theory (as mentioned) whereas others evolved from open coding in line with the exploratory method by Corbin and Strauss (2007). Blanchard (2011) maintained that uncertain codes or weak codes (i.e. ambiguous codes that are difficult to apply and do not occur in all cases) are best included systematically within the analysis rather than ignored. In principle, each code should carry the same meaning for the observed phenomenon, especially in case of subjective states/events. Some of the codes in this study are hierarchical, where subsequences are part of the larger observed sequence. This hierarchy was derived from the theory discussed in Chapter 2 (as illustrated with the example of 'Learning Process' code family above).

The sequence data consist of potentially repeating elements and events, which need to be coded by the researcher. Some researchers use codes that are standard within the literature, while others derive their own classifications to analyse complex events (Macindoe and Abbott, 2004). There has been only one study that studied the impact of coding on sequence analysis results. Forest and Abbott (1990) found that divergent coding schemes had a relatively weak impact on the final analysis.

Biemann and Datta (2014) recommended coding more than one dimension simultaneously within a sequence to improve the effectiveness of sequence analysis. This is the strategy that was adopted in this research project; sentences and words were coded by two or more codes if the same information relates to deferring concepts at one point in time.

Calculation of the distance matrix

The narrative/pattern presented as a result of the sequence analysis depends on the algorithm that is used for measuring the distance matrix between events/sequences. In general, algorithms can be evaluated on their algorithmic basis, their practical results and the extent to which they present sociologically interpretable results.

Hamming distance is the simplest method for calculating the similarity matrix, however it does not account for the similarity 'displaced in time' (Halpin, 2013: 3). The optimal

matching algorithm (Needleman-Wunsch algorithm) is most commonly used in sociology (Abbott, 1995). Halpin (2013) compared various algorithms of calculating distances between sequences. He benchmarked optical matching algorithm, the time-warping method and other subsequence methods against the Hamming distance, to conclude that the structure of distances is more important than the nature of the measure. Halpin (2013: 22) maintained that ‘effectively, for most pairs of sequences, particularly simple ones, the difference between Hamming and the more complicated distance measures is negligible or zero’. This again highlights a greater importance of accurate and consistent coding of the narrative than creating complex mathematical algorithms.

The treatment of time in sequence analysis can be tricky and this is where the choice of the distance measure is more important. Halpin (2013) argued that, if information is derived in a continuous time frame, some algorithms can have an advantage. For the purposes of this research project, where time-related information is aggregated and the participants’ narrative jumps through time depending on the relevance to the story, the selection of the distance algorithm is less significant. As Halpin (2013: 24) stated: ‘There is little difference between many of the [distance] measures, and ... the state-space distance matrix is often far more important than the algorithm’

The most common algorithm for calculating the distance matrix is Needleman-Wunsch algorithm, which is also known as optimal matching algorithm. ‘This works well for naturally discrete state spaces such as a coding of utterances in conversations’ (Halpin, 2013). As part of this algorithm the researcher has to define the costs associated with transformation operations for the identification of the Needleman-Wunsch distance (i.e. define substitution and indel costs). The substitution cost matrix is based on exogenous knowledge about the cost of transition from one state to another. Indel costs are based on the cost of insertion and deletion.

However, for the sake of theoretical and methodical economy this project does not apply the Needleman-Wunsch algorithm to calculate the distance matrix. This is because there is little theoretical evidence on the basis of which it could rate the cost of the transition from one state/event/sequence to another. In addition, assigning specific substitution cost values can be subjective and therefore it is best to minimise any such manipulations

applied to the data. Moreover, some algorithms do not involve costs setting and this does not affect the ability of the algorithm to find shared patterns (Blanchard, 2011). Danescu-Niculescu-Mizil, West, Jurafsky, Leskovec, and Potts (2013), as an example, applied Jaccard algorithm (which does not require substitution and indel costs) to study linguistic change and community norms. Therefore, it is appropriate to use Levenshtein, Jaccard or other distance algorithms that do not require defining substitution and indel costs for text analysis.

There is no evidence to suggest which distance algorithm is best suited for the purposes of this research project. Therefore, two similar algorithms were tested (i.e. Jaccard and C-index) in two different software applications (QDA Miner and ATLAS.ti). The two algorithms (C-index from ATLAS.ti and Jaccard from QDA Miner) presented synonymous results after the application of clustering analysis. Hence, for the final data analysis this project selected the Jaccard coefficient, which it implemented as part of the QDA Miner software package.

The C-index was calculated using ATLAS.ti software package, which was then exported into the R software for hierarchical clustering. ATLAS.ti software does not offer the functionality to conduct clustering on the basis of a dissimilarity matrix. When using R statistical software, several clustering techniques were tested (average, centroid and Ward's method) to check the reliability of the data. All of the three methods showed very similar results, which suggests that there is a latent structure in the data.

The QDA Miner software is better suited to sequence analysis, compared to ATLAS.ti, as it provides clustering analysis capability within the same software package and thus minimises the potential errors that can occur during the process. In final analysis, the co-occurrence of the two codes was defined as a segment overlap (when the codes overlap each other) for the calculation of Jaccard similarity in QDA Miner software.

The Jaccard similarity coefficient focuses on the overlap/intersection between sequences and the overlap is then divided by the union of the sample set. This algorithm does not require the application of substitution and indel costs. The Jaccard similarity and dissimilarity algorithm are illustrated below (see Equation 1). For the purposes of this research, the A and B in the equation refer a unique code or metadata.

Equation 1: Jaccard similarity and distance

$$\text{Jaccard similarity } (A, B) = \frac{|A \cap B|}{|A \cup B|}$$

$$\text{Jaccard distance} = \left(1 - \left(\frac{|A \cap B|}{|A \cup B|}\right)\right)$$

Clustering and multidimensional scaling of the dissimilarity matrix

The final stage is cluster analysis of the distance matrix, which will allow us to identify clusters of similar sequences. Clustering is the most dominant method for sequence analysis. However, network analysis, multidimensional scaling and factor analysis can also be applied (Blanchard, 2011). The typology produced by clustering methods is easy to interpret. This research project utilises the average-linkage hierarchical clustering method to create clusters from Jaccard's similarity matrix, which will be explained below.

Clustering enables the reconstruction of an order/pattern from complex data (Blanchard, 2011). By calculating a distance matrix this project identified the distances between each pair of codes. There is no best clustering algorithm that can be applied for the sequence analysis method (Biemann & Datta, 2014).

The clustering technique is most appropriate when there are strong natural clusters of the data. If not, the clusters are unstable and the results will differ especially if there are small changes to the parameters/application of the codes or sampling. In this research project, different clustering methods generated similar results. To test the reliability of the results further, the project dropped two case studies from the analysis and the underlying results still identified the same items/codes (i.e. learning processes, business networks and trust) as part of one cluster. This shows that there are strong natural clusters in the collected data, which are not affected by the manner in which codes are applied, nor by the variations in the sample. This also shows that this research project achieved a sufficient degree of theoretical saturation for the purpose of a multiple case study research approach (as recommended by Yin (2009), see Section 3.4.2).

Because of the strong natural clusters in the collected data, Dunn's separation index, which is used to justify the decision to allocate a specific number of clusters, is not essential for the purposes of this study. Dunn's separation index enables a researcher to

maximise intercluster differences and minimise intracluster differences in order to select a correct number of clusters (Biemann & Datta, 2014).

Lastly, clustering helps to understand which sequences/codes are more distant from each other and which codes are close. This provides an answer to a basic question – whether there are patterns among the sequences. In other words, sequence analysis of narratives helps to understand what arguments the key decision-makers use consistently in justifying the foreign market commitment of their companies. This method therefore helped this project to identify typical paths that lead to the internationalisation of firms.

In brief, this section explained that sequence analysis is a useful tool which can be applied in management and international business research. Sequence analysis can help to identify patterns that exist between events/sequences from complex data. It is a useful and underutilised instrument for the study the patterns of company internationalisation and strategic change over time. Biemann and Datta (2014: 71) have argued that sequence analysis ‘has the potential to become an important and integral part of a management researcher’s toolkit’.

3.5 Summary and conclusion

The purpose of this chapter was to describe and justify the research approach and method which form the basis for the analysis and propositions presented in the subsequent chapters. This chapter provided a detailed explanation of the process-based research, as well as justifications for the use of multiple case study design and the sequence analysis method. A detailed description of the cases is provided in Chapter 4, which is then followed by a discussion of the analysis of the data and the results in Chapter 5.

CHAPTER 4: CASE DESCRIPTIONS

4.1 Introduction

The aim of this chapter is to provide a discussion of the main characteristics of the firms which participated in this research project. This chapter helps to establish the relevant context for the purpose of analysing the internationalisation process of the case study firms, which, as argued below in Section 4.4, is an important aspect influencing reliance on internationalisation and foreign market commitment. Discussing this context provides transferability and an understanding of how this research relates to the broader discipline of international business (van Ruth, 2009; Lincoln and Guba, 1985). This also helps with the interpretation of the findings and future research that may seek to replicate elements of this thesis.

This chapter provides a brief summary of the seven firms that participated in this research. It will provide details on the firms' turnover from international activities, the extent and commitment to internationalisation, prior experiences of the key decision-makers who took part in this research as well as other contextual details that influenced the internationalisation process of these firms. Table 4.1 provides a summary of the main firm-level characteristics. Table 4.2 provides an overview of key decision-makers and interviewees. All of the research participants agreed to the publication of their name and position and that of their company on the interview consent form, in line with the requirements set by the ANU Human Research Ethics Committee. Given that only a small number of Australian professional services firms within the specified industries are located overseas, even if the case study firms had been anonymised, they would still be easily identifiable. Disclosing the real names of participating companies may also demonstrate the high standard of accountability underpinning this research.

This chapter will first present an overall description of the firms' size and industry, ownership structure and internationalisation experience. Second, the interviewees and key decision makers are discussed in Section 4.5. Third, each firm is introduced separately providing a discussion of relevant firm-level contextual details.

Table 4.1: Case study characteristics

	<i>Professional Services Sector</i>	<i>Firm Size*</i>	<i>Ownership</i>	<i>First Internationalisation</i>	<i>Reliance on Internationalisation</i>	<i>Foreign Markets</i>	<i>Case Study Focus</i>	<i>Entry Mode</i>
Aspen Medical	Healthcare	Medium/ Large	Private	2004	Moderate	Middle East, the USA, the UK, Canada, Pacific Rim, etc	UAE	Joint Venture
Recruitment Systems	Software development: human resources sector	Micro	Private	2005	Low	Singapore, Dubai, North America, NZ, Thailand, etc	Singapore	Wholly Owned Subsidiary
Sterian	Software development	Micro	Private	2010	High	India, Sweden, Germany, Ireland, Japan, the UK, etc.	India	Wholly Owned Subsidiary (Acquisition)
XP Solutions	Software development: environmental services	Micro	A subsidiary of Cardno Ltd. (ASX)	1990s	Moderate	Malaysia, the UK, the US, India, etc	Philippines	Joint Venture
SYPAQ	Defence, aerospace and surveillance	Medium	Private	late 1990s	Moderate	The US, the UK, Singapore, ASEAN	Singapore	Import/Export
eWater	Software development: environmental services	Small	Government	2012	Low	Vietnam, India, Pakistan, Nepal, the UK	India	Export
Straker Translations	Software development: human translation services	Small	Private	mid-2000s	High	The UK, the USA, Ireland, Germany	Ireland	Wholly Owned Subsidiary

Note: The companies that participated in this research did not object to the use of real company names in the text of this thesis.

* Micro - less than 20 employees; Small - 20-49 employees; Medium - 50-300 employees in Australia.

** Case study firms are tri-modal, based on their reliance on international activities and turnover. Low - low reliance on internationalization and/or less than 25% turnover from international activities; Moderate - moderate reliance on internationalisation and/or 25-70% turnover from international activities; High - high reliance on internationalisation and/or over 70% turnover from international activities.

4.2 Industry

In line with the main focus of this research project explained in Chapter 2, the industry breakdown in Table 4.1 shows that the firms in our sample are small and medium-sized Australian professional services firms. Of the seven firms, five are involved in software development. It should be noted that all of the software development companies are not solely focused on the software development service, but also provide software solutions²⁰ in a specific area of expertise. Two firms specialise in environmental services and provide software instruments for water flow and rainfall simulation. The other three software development firms focus their IT expertise in a niche services market (human resources and recruitment, human translation services and online legal services). Sterian is in the process of building up its capacity as a solutions provider. The remaining two firms are from the expeditionary²¹ healthcare, and defence and aerospace sectors. SYPAQ aims to diverge into management consulting for its internationalisation into Singapore. All of the service providers focus mainly on business to business, and, business to government contracts. The focus on business to consumer services in the listed sample is minimal.

4.3 Firm size and ownership

This research project considers the internationalisation process of small and medium-sized enterprises and case study firms all meet this requirement. The SME categorisation implemented in this project does not adhere to those of the Australian Bureau of Statistics or the 2005 European Commission SME definition. The underlying reason is that there is no common international definition for a small and medium-sized enterprise. The Australian Bureau of Statistics (ABS) defines a small business as one which has less than 20 employees (Connolly, Norman, & West, 2012). The ABS requires a small business as independently owned and operated, where the owners/managers are also the key decision-makers. A medium sized business is defined by the ABS as employing between 20 and 200 people. The ABS definition differs from

²⁰ Providing software solutions effectively means providing products and services to suit the specific operational requirements of the client.

²¹ Expeditionary healthcare is defined as a delivery of healthcare solutions to a remote, challenging or under-resourced setting.

the definition used by the European Commission. It generally defines small and medium-sized enterprises as those with less than 250 employees, with additional limits on the annual turnover and the annual balance sheet total. In the European Union, businesses are categorised into micro (less than 10 employees), small (less than 50 employees) and medium-sized (less than 250 employees) (European Commission, 2005). Further, Canada and the United States define small and medium enterprises as those with less than 500 employees (OECD, 2014).

For the purposes of this research project, firms are categorised into three groups: micro (less than 20 employees), small (20-50 employees) or medium (50-300 employees in Australia). Thus, the research sample consists of three micro firms (XP Solutions, Sterian, Recruitment Systems), two small firms (eWater, Straker Translations) and two medium enterprises (SYPAQ, Aspen Medical). It should be noted that Aspen Medical started as a small company in Australia and experienced rapid growth in the past 5 years. The company now employs more than 2,000 people through its affiliates on a contractual basis. However, the number of permanent staff in Australia currently meets the definition of a medium-sized enterprise. Like most SMEs, Aspen Medical is a private company and the rapid increase in the number of its employees is explained by the nature of the healthcare sector where people are hired on a contractual basis for on-the-ground delivery of services. As such, at the conceptual level Aspen Medical meets relevant SME characteristics.

Five out of seven case studies are privately owned firms. eWater is a non-for-profit government-owned organisation. XP Solutions initially started as a private company prior to its acquisition in 2001 by Cardno. In practice, however, XP Solutions maintains operational independence from its parent. All of the firms in the sample are less than 25 years old: Sterian and eWater are the youngest companies established less than 5 years ago, while, SYPAQ and XP Solutions are the oldest in the sample.

4.4 Firm-level internationalisation reliance and exposure

The sample firms are categorised in Table 4.1 on the basis of their 'reliance on internationalisation'. The categorisations are tri-modal and based on the firm's strategic reliance on international activities and turnover: 1. Low - low reliance on internationalisation and/or less than 25% turnover from international activities; 2.

Moderate - moderate reliance on internationalisation and/or 25-70% turnover from international activities; 3. High - high reliance on internationalisation and/or over 70% turnover from international activities. The reliance on internationalisation categorisation in Table 4.1 incorporates not only a turnover from foreign activities but also takes into account the perception of a key decision-maker within the firm about the strategic importance of international linkages to the firm's current operations. This perception is assessed on the basis of the information provided by the decision-makers during the interview (discussed further in Chapter 5). In other words, 'reliance on internationalisation' is a qualitative measure of foreign market commitment which accounts not only for the material resources and time committed overseas but also relevant contextual details affecting current and future operations of the firm.

As discussed in Section 2.2.1, a managerial decision or intention to relocate operations overseas should be considered as a form of market commitment (Johanson & Vahlne, 1977). Even if a firm's turnover from international activities and physical assets located overseas are low, the resources located in the home country can be specialised to suit a foreign market. Reliance on internationalisation reflects strategic decisions in favour of increasing internationalisation, such as the movement of employees between subsidiaries, future internationalisation plans as well as other factors that might not be reflected in the immediate market commitment. As Gundlach et al. (1995) argued, foreign market commitment is highly influenced by the attitudes of the top managers and can become a self-justifying process without any link to the external business environment or internal organisational priorities.

Internationalisation exposure, which captures only the material commitment to a foreign market, varies greatly among the case study firms. Two firms (XP Solutions, SYPAQ) have over 10 years of foreign market exposure and began their internationalisation in mid-1990s. However, these two firms are only moderately reliant on their international operations. Sterian and Straker Translations have a lower degree of prior international exposure, but these firms are highly reliant on internationalisation for sustaining their current operations. This internationalisation reliance will be addressed as part of the discussion of findings in Chapter 5.

4.5 Interviewees

One or two participants were interviewed for each case study firm. These interviewees were mainly key decision-makers responsible for the internationalisation strategy. Their roles are as follows: Chief Executive Officer, Managing Director, Sales and Marketing Director, Business Development Manager, Software Engineer. Interviews were conducted mainly in Australia with only one interview held in the Republic of Ireland. All of the interviewees were Australian citizens or residents and only one had a non-English speaking background. Follow-up enquiries and interviews were essential in almost all the cases to outline the role of time in the internationalisation process, as discussed in Chapter 3.

Table 4.2 describes key decision-makers and research participants for each case.

Table 4.2: Case study decision-makers and research participants

	<i>Internationalisation decision-makers</i>	<i>Research participants</i>	<i>In-person interviews</i>	<i>Follow- up</i>
Aspen Medical	2x Founder & Chief Executive; Business Development Manager	Chief Executive; Business Development Manager	2	2 months
Recruitment Systems	Chief Executive	Chief Executive	1	2 months
Sterian	Founder and Managing Director	Founder and Managing Director	2	2 months
XP Solutions	Board of Directors (parent company); Managing Director	Managing Director	2	2 months
SYPAQ	Founder and Chief Executive; Chief Executive Officer	Founder and Chief Executive	1 +phone interview	2 months
eWater	Chair; Chief Executive; Managing Director	Managing Director; Software Engineer (x2)	1	None
Straker Translations	Founder; Sales and Marketing Director	Sales and Marketing Director	1	2 years

4.6 Case descriptions

4.6.1 Case 1: Aspen Medical

Aspen Medical is a private company that specialises in expeditionary health services and comprehensive primary health care. The main focus area is the provision of outsourced healthcare in remote geographical locations and under-resourced areas where there is a high demand. As an example, Aspen Medical provided care in Ebola-hit Liberia where it set up treatment facilities in a challenging high-risk environment (Boddy, 2014). Aspen Medical provides health care and other medical services to the Australian Defence Force and is currently expanding its presence in the Middle East. Its client base includes the military, resources, aviation, NGO and government health services sectors. The company is relatively new, with just over 10 years on the market. However, the key decision-makers and management personnel have prior experience in global business development, operations management and the delivery of medical services in Australia as well as multiple overseas countries.

Aspen Medical is a multi-award-winning company which is recognised for its achievement in entrepreneurship and the delivery of professional health services outside Australia. In 2013, Aspen Medical won the Australian Export Award in Health and Biotechnology sector for their success in exporting and innovation (Austrade, 2013a). Similarly, Aspen Medical won the ACT Exporter of the Year Award in 2007, 2011, 2012 and 2013 (Canberra Times, 2013). Its annual revenue was under \$60 million in 2009 and has been increasing dramatically since then due to the growth within Australia and overseas (Fisher, 2010). Aspen Medical is one of the fastest growing SMEs in Australia that actively participate in services export. During 2012-2013, Aspen Medical exported \$44 million worth of services and it is one of the largest contributors to Canberra's expanding export industry (Canberra Times, 2013).

The company operates across Australasia, the Middle East, Canada, the USA, the UK and the Pacific Rim. During 2012 about 30% of the turnover was focused on the international activities, while in 2013 - due to significant domestic growth - the international focus dropped to around 15% (Aspen Medical, Interviewee 1, 30th October 2013). In 2012, Aspen Medical won a \$500 million contract for the provision of medical care for four years at all Defence bases in Australia (Thistleton, 2012). Currently, the two primary markets overseas are the USA and the Middle East - both comprise 10% of the company's total turnover in 2012, with 5% from the both UK and Canada (Aspen Medical, Interviewee 1, 30th October 2013). The US and the Middle East were described by the interviewees as "ginormous" markets that require and prepared to pay for the type of service offered by the Aspen Medical.

For the purposes of this research project, the case study focuses²² on the Aspen Medical's expansion to the Middle East, where the company is operating a joint-venture. Since 2012, Aspen Medical provides ambulance services in the UAE through the National Ambulance Company (Anderson, 2010; Aspen Medical, Interviewee 2, 6th December 2013; Aspen Medical 2014). Most recently, Aspen Medical won a contract for the provision of Helicopter Emergency Medical Services to all subsidiary companies in Abu Dhabi National Oil Company (Aspen Medical, 2014). This is the

²² As discussed in Section 3.4.2, to minimise problems associated with the respondents' memory recall the case studies focused on the most recent internationalisation attempt.

first Australian company to form a joint-venture with the UAE government. The firm has no direct competitors in the UAE market from Australia and there are also no global competitors within the niche market for expeditionary healthcare. Aspen Medical owns a 20% stake in the National Ambulance Company and is entitled to performance dividends. Overall, 750 employees were recruited in the UAE – most of which come from Oman and The Philippines (Aspen Medical, Interviewee 1, 30th October 2013). The medical services are provided on behalf of the UAE government for local activities.

The Middle East is perceived by the founders to have a greater potential for Aspen Medical than the primary foreign market, the USA. Interviewees described the UAE as an evolving market: *“you shape it and then you can put up the barriers for entry to your competitors.”* (Aspen Medical, Interviewee 2, 6th December 2013). The competition in this specific sector is relatively limited, while there are providers of hospital/health services, the expeditionary health care is the key differentiator: *“If I look into Qatar and UAE – Canada is really big over there, but they don't have private health in Canada ... The US don't have a contract, they don't deliver anything yet still, well they've done bits but there's nothing in their space that they could even transpose into the UAE.”* (Aspen Medical, Interviewee 2, 6th December 2013).

The interviewee intends to use the UAE as a hub for accessing other markets, such as Africa, Nigeria and Iraq – *“countries that had conflict and now investments are starting to go in there”* (Aspen Medical, Interviewee 2, 6th December 2013). The initial entry to the UAE was through the provision of training for the ADF personnel at the Al Minhad Air Base in the United Arab Emirates (Aspen Medical, n.d.). The training was provided by Aspen Medical medics with recent combat experience to Australian troops deploying in the Middle East. The firm's management referred to Africa, Nigeria and Iraq as “emerging markets” and identified them for future internationalisation of the company's activities. Accessing these markets is outside of the primary scope of the current join-venture arrangement, and yet it is often perceived as an incentive for future market commitment in the UAE. Aspen Medical intends to set up a separate independent business entity that will focus specifically on utilising the UAE as a hub for other markets.

4.6.2 Case 2: Recruitment Systems

Recruitment Systems is a small private firm which specialises in delivering customisable recruitment software for a broad range of clients. The first version of its current software product (TRIS Recruitment CRM) was initially developed by the founder as part of his involvement in IT recruitment firm Candle Australia (now Clarius Group) (ACT Exporters Network, 2011). The current spin-off entity was established in 2001 and in 2008 TRIS Recruitment CRM (henceforth TRIS) superseded the earlier version of its software (ACT Exporters Network, 2011). The software can be described as an applicant tracking system or a candidate relationship management system which is used by recruitment agencies in a broad range of industries. Unlike other recruitment software, which aims to minimise administrative costs and assist in tracking job candidates, TRIS allows customers to build a database of potential candidates on the basis of their past interactions and experience with a recruitment firm. This arguably encourages a stronger knowledge and understanding of the potential candidates as a recruitment firm's relationship with them goes back three to five years (Recruitment Systems, 10th October 2013). The software can be customised depending on a customer's needs; scoping exercises are conducted prior to the sale and implementation stage to fit the requirements of the end user.

Recruitment Systems's international operations fluctuate at around 35% of total turnover; the TRIS software is currently implemented by recruiters in close to 20 countries. Recruitment Systems first entered the Asian market in 2005 as a consequence of the Austrade and ACT Government trade mission to the region that involved Kuala Lumpur, Penang and Singapore (Recruitment Systems, 10th October 2013). The most significant growth in export income was achieved in 2010/2011 (ACT Exporters Network, 2011). The company won the ACT Small Business Exporters of the Year Award in 2008, 2009 and 2012. It should also be noted that the company received financial assistance through the Export Market Development Grant (EMDG) administered by Austrade which equated to about \$100,000 during 2006-2011 period.

In 2013, Recruitment Systems established a separate company in Singapore – which will be reviewed as part of this case-study analysis. The company also has its largest international client base in Singapore, which accounts for 10 companies/contracts. Singapore, Thailand and Dubai are the main locations for the firm's internationalisation

strategy. The company is mainly using agents in a foreign country to internationalise, the establishment of a separate company in Singapore is the outcome of a relatively new internationalisation strategy for the firm and reflective of a higher degree of market commitment there (Austrade, 2013b). The founder of the Recruitment Systems perceives Singapore as a hub for further expansion in the region, particularly Thailand, Malaysia, Korea, China and potentially Hong Kong (Recruitment Systems, 10th October 2013).

The internal structure of Recruitment Systems is different to other cases considered in this research project. The majority of people employed by Recruitment Systems originate from countries outside of Australia: *"...the majority of people here are not Australian. So we've got three Iranians, an Egyptian, a Malaysian, a Russian, and we've had everyone from Morocco to India."* (Recruitment Systems, 10th October 2013). Some of the employees migrated to Australia and others are engaged on contractual basis overseas. In fact, one of the co-founders of the firm is of Russian origin and *"as for the fact, every code in our system has been written by Russians."* (Recruitment Systems, 10th October 2013). *"In total, we speak over 20 languages fluently -- mother tongue or equivalent. It's helpful when you are selling into the Middle East and Asia."* This sets the firm apart from other companies within the sample in terms of the cross-cultural knowledge and experience which it has been able to incorporate into its internal organisational structure from the inception of the firm in 2001.

4.6.3 Case 3: Sterian

Sterian is a professional services firm that is focused on web development, application development and platform migration. The software development is based on 'agile methodology', *i.e.* a type of project management common that allows teams of programmers to respond to unpredictability through incremental, iterative work practices, rather than through traditional sequential software development. The firm is headquartered in Australia and was established in 2010, just prior to an acquisition of an Indian software development company which has been the source of technical knowledge and its main development capabilities. Sterian Australia holds a majority of shares in the Sterian development centre in India. This acquisition mode of operation serves as an alternative to a start-up, and was motivated by specific contextual factors at the time of internationalisation decision-making: *"... first option was to start to do another*

start-up, and I really didn't have the enthusiasm for another start-up, it's heavy lifting in the early days, it's just hard work, and I just couldn't be bothered doing that. I'd done it before, and I just decided I didn't want to do it again." (Sterian, 10th October 2013). Thus, the prior experience of the key decision-makers influenced the current internationalisation process of the firm.

While Sterian is a relatively new company, the founder of the firm, who is also the key decision-maker, has over 20 years of experience in creating a global presence for a number of companies. This individual started working in the area of international business since 1978. He conducted trade negotiations with Tanzania for British Airways, provided software solutions for the intelligence community, as well as other business-to-business and business-to-government clients. He has prior experience of dealing with the US, UK, Canada, China, India as well as other countries. Furthermore, he was involved in building internationalisation capabilities of several Australian companies. Altogether, this suggests that the prior knowledge of the key decision-maker made a significant impact on the internationalisation process of this firm (discussed further in Chapter 5).

At the point of acquisition, the Indian firm was a typical outsourcing company undertaking various contracts without any direct specialisation. The founder of the company commented as follows: *"But they were a traditional outsourcing firm and they would take the jobs anywhere, and we still have a great client base, Sweden, Germany, Ireland, the UK, the US, here, Japan etcetera. Very happy clients, some of them have been with the company in its previous names for six, seven years, and it's a highly competitive marketplace, but they were purely services."* (Sterian, 2nd December 2013). The current focus of the firm is on the provision of specialised services for clients in Australia and overseas.

This case analysis will focus on the Sterian's internationalisation in India and consequent development since then and since its inception in 2010. From the outset, Sterian aimed to progress through the following stages: 1. Provision of services; 2. Solutions provider; 3. Specialised projects and orders. The transition is motivated by an intent to establish a niche market where there is no direct price competition (Sterian, 2nd December 2013). Soon after the acquisition, Sterian formed a formal partnership/joint-venture with Australian commercial law firm Chamberlains in

Canberra. This partnership aims to provide an online solution for legal services – through utilising the technical knowledge of Sterian India and the domain knowledge of the local law firm. Chamberlains is offering online access to legal documents (contracts, agreements, *etc.*) while the IT solution to provide this service was developed by Sterian (see <https://online.chamberlains.com.au/>). Sterian is now developing its capabilities as an IT solutions provider to Australian businesses further and aims to deliver more specialised projects in the near future. Its focus is on underpinning its current internationalisation process.

This case has certain born-global characteristics, as the 2010 acquisition in India allowed Sterian to internalise key resources for its international operations. During 2010-13, Sterian had no software development capabilities or relevant human resources in Australia, but in 2014 the firm physically located some development work in Australia. The development capabilities, which are crucial for the current operations of the firm, were internalised through the acquisition of the Indian company. Sterian has plans for further expansion by forming two potential joint-ventures the structure of which will be similar to the current cooperation with Chamberlains.

4.6.4 Case 4: XP Solutions

XP Solutions is a small software development company that offers tools for environmental services, such as storm water management, drainage systems design and flood risk simulation. The software development is based on the agile methodologies. The initial inception of the firm took place in 1974, and it made its first software commercialisation attempts in the mid-1980s (XP Solutions, 2013). In its current form, the company was operating since 2008 when it merged with a UK-based firm Micro Drainage that operates in the same sector. XP Solutions was a wholly-owned subsidiary of Cardno until late 2016, which is a large internationalised Australian firm that is listed on the Australian Stock Exchange market. The parent company specialises in acquisitions of innovative small companies that have technical knowledge and show reasonable growth potential. The relationship with the parent allows is such that XP Solutions retains a high degree of operational independence: *“On an operational level we are very independent. On a probably high-level strategy, and M&A, we are very much dependent and follow the ... guidelines. So our goals, for example what are we going to produce in terms of growth targets or revenue targets, are all set and discussed with Cardno.”*

(XP Solutions, 19th November 2013). Nonetheless, the internationalisation decision-making is driven from within the company by the current managing director: *“The beauty of this whole thing is that we can focus on our business. ... it allows our management, our group, to focus on our core business, and I think that really works well for us.”* (XP Solutions, 19th November 2013).

XP Solutions won the ACT Chief Minister’s Export Award (2013, 2012) in environmental solutions and information and communication technology categories (Canberra Times, 2013). It made its first internationalisation attempt in 1991 through the use of the Export Market Development Grant to enter the US market. At present, XP Solutions has offices in the US and the UK that account for the largest share of the company’s total revenue. Only about 10% of the company’s revenue comes from the Australian market and the large proportion of the revenue is sourced from export markets. In FY2014, XP Solutions had revenue growth of 12% and profit growth of 16% (Cardno, 2014).

XP Solutions also has access to markets for service contracts in Japan, South Korea, China and Malaysia through a distributor network. The parent company Cardno also has a presence in Indonesia and the Philippines, which benefits XP Solutions. XP Solutions’s involvement on Asia was initiated 10 years ago and the current management promotes the potential of the region: *“over the years you sort of get bombarded with the potential growth in Asia, and I believe in that very truly, so I do believe in five/ten years from now we are going to see a different international arena.”* (XP Solutions, 19th November 2013).

XP Solutions became actively engaged in increasing its foreign market commitment in the Philippines in 2013, which will form the main focus of the case study analysis. The move to the Philippines was motivated by the lower cost of software development there. Furthermore, the company intends to primarily target the South East Asian market. XP Solutions is working on the establishment of the regional operating headquarters in the Philippines and it is currently downscaling its presence in Australia: *“Brisbane’s going to have only skeleton staff, in-country staff for whatever we need, and Manila is where we’re going to grow our base.”* (XP Solutions, 19th November 2013). This decision is motivated by an opportunity to cut back on R&D and customer service costs by taking advantage of the lower cost of educated labour in the Philippines. In addition, the company

intends to use the Philippines in a later stage as a hub for expanding its presence in the region: *“if Asia’s going to grow we’ve got to be there well before.”* (XP Solutions, 19th November 2013). Based on its 2014 Annual Report, Cardno is anticipating 20% revenue growth in Asia because of XP Solution’s expansion to Manila (Cardno, 2014). The reasoning behind the relocation from Australia to the Philippines is further discussed in Chapter 5.

4.6.5 Case 5: SYPAQ

SYPAQ is a private company that provides a broad range of consulting services, focused mainly on the defence and aerospace industry. The company was founded in 1992 and is currently structured as three business units focusing respectively on defence and aerospace, enterprise and government consulting, and sensors and surveillance. SYPAQ is working with original equipment manufacturers to provide and support commercial off-the-shelf and modified off-the-shelf solutions in the Australia and New Zealand. Professional services provided by the firm include: project management, software engineering and integration, implementation and support of simulation solutions, acquisition and sustainment logistics, platform, electronics and communication engineering. Its market in Australia is dominated by business-to-business sales; direct transactions with the Australian Department of Defence and major enterprises are rare (SYPAQ, 3rd December 2013). The company continues to expand its workforce and geographical coverage. As at December 2013, the company had over 100 employees and several offices across Australia.

SYPAQ categorises foreign markets into two categories: the market they are selling into – Southeast Asia, and, the market they are buying from – the UK and the USA. SYPAQ will partner with technology providers in the US and the UK to deliver Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) technologies, as well as security, simulation and communications technologies in the Australasian region. As an example, in 2012 SYPAQ signed a contract with Goodrich Corp to provide program management for the Goodrich DB-110 reconnaissance system in Australia and New Zealand (Goodrich, 2012). The company signed its first teaming agreement with Goodrich for the support of intelligence, surveillance and reconnaissance systems in 2010.

The key decision-maker has direct experience of working on projects in Indonesia and China which goes back to the mid-1990s. The founder of SYPAQ describes Asia as the primary market for the firm: *"we want to have an international presence and Asia was our natural market"* (SYPAQ, 3rd December 2013). SYPAQ commenced operations in Singapore in mid-2014 after forming a joint-venture between its subsidiary SYPAQ Asia Pacific Pte Ltd in Singapore and Cerulean Business Partners Pte Ltd, a Singapore based management consulting firm specialising in the financial services sector (SYPAQ, 2014).

At the time of the analysis in 2013, SYPAQ was exploring internationalisation options and business environment conditions in Singapore. The main focus in its Singapore operations were intended to be integration, supply and support services of relevant systems in the defence sector. The secondary focus, however, was the provision of project and program management services in government or private sector, especially if there is a fair technology content. Its intention was to extend this further by targeting Australian expats or multinationals in Singapore. Its future intention was to service ASEAN markets and use Singapore as a hub for expanding its international presence in the region. Consequently, an acquisition strategy was intended to expedite the internationalisation process. In 2013, the company had already considered several businesses for a potential takeover - prior to forming a joint-venture with Cerulean in June 2014.

SYPAQ is the only case study participant that relies on a formal firm-level instrument for international strategy and expansion. This takes the form of five-year strategic plan that includes aspects of internationalisation and sets this firm apart from other SMEs included in this research project. The strategic plan was defined largely by the founder of the company and incorporates the outcomes of horizontal/vertical consultations with relevant stakeholders. This instrument is then reviewed by the company each year. The firm-level characteristics will be further discussed in Chapter 5.

4.6.6 Case 6: eWater

eWater is a not-for-profit organisation that was established as an attempt to commercialise on research in the area of environmental water management which was funded by the Federal Government's Cooperative Research Centers (CRC) initiative. Since 2010, eWater transitioned into an independent self-sustainable organisation that

started to explore ways to internationalise its operations. The company is owned by the Australian State and Federal governments, however, it is run as an SME. The company is offering two separate software packages: 1. eWater Source – a large scale hydrological modelling platform for managing surface, ground and environmental water in rural and urban catchment areas; 2. eWater MUSIC – an urban storm water management system for local scale development. The company's main operational focus is on further development and rollout of the Source package for large scale aquatic modelling. The software is open-source and clients can access the software on a membership basis and receive assistance on how to implement the instrument.

The software was designed and tested in Australia in the context of several variable complex water systems, such as the Murray Darling basin. The purpose of Source software is to model and account for the ground water, rainfall, river beds, and the use of water for irrigation as well as for other purposes. The software is used in Australia as the national hydrological modelling platform by State and Federal jurisdictions. Source is a complex software that was developed over a period of 10-12 years, with an estimate cost of A\$100-150 million invested during the research and development phase. It can be claimed that this software is one of the most complex instruments for full aquatic planning: *"...water modelling on a large scale, I'm not sure that even the system that US water engineers developed, you know? Which is good as well, and they're using it. But it's not as complex as [Source], so even the Americans are showing an interest our [Source] codes."* (eWater, 29th November 2013).

eWater is at the very early stages of internationalisation; the international exposure is achieved by doing the work through Australian government aid programs. This involvement at the government level is aimed to provide Asian countries (India, Nepal, Pakistan, Vietnam) with an instrument for full aquatic planning to improve the information on the consequences of environmental policies in the region. The company's internationalisation process is strongly reliant on business to government and government to government links. As an example, eWater's hydrological modelling platform was used by the CSIRO scientists in the management of Koshi River Basin which stretches from China and Nepal all the way to where it discharges into the Ganges River in India (CSIRO, 2013). The company has a UK partnership for the distribution of MUSIC package, however, the primary focus remains on the

internationalisation of subscriptions to Source software in the Asian region – due to the region’s higher current and potential future market size.

At this stage, eWater is focusing on the Indian market where economic development is highly dependent on water management. Water security is becoming an increasingly important issue for India as well as other Asian countries. eWater’s involvement in India is part of the India-Australia Water Science and Technology Partnership aimed at assisting with water resources management issues. The partnership was signed by Australian Prime Minister Julia Gillard in October 2011. As part of this partnership, eWater signed an agreement with the Indian Institute of Technology to share Source platform in dealing with drought in Maharashtra State (DFAT, 2013). This cooperation in water management is a result of the work by AusAID, The World Bank, the Asian Development Bank and several technical institutes (eWater, 29th November 2013).

4.6.7 Case 7: Straker Translations

Straker Translations was established in 1999 as an Australian software development company which specialised in multilingual content management systems. The company built its technology system using ColdFusion programming language that is owned by Adobe. This platform is well-suited to running websites in multiple languages. The ColdFusion language is not open-source, which resulted in a focused niche market for the company. This initially limited the customer-base to clients that have in-house support for the ColdFusion platform. The niche market also presented challenges in expanding the business at the time. In mid-2000, Straker Translations won a contract with the European Commission for the development and support of web and application servers. This project also required websites of the various institutions of the European Union to be translated into several languages, which led to an integration of translation workflows into the content management products. Straker Translations was directly responsible for dealing with translators and integrating translated text into the web systems.

Since 2009, Straker Translations is focused on the provision of online human translation services. The current operations are leveraging the tools developed during their initial contract providing the content management system for the European Commission: *“that was our original plan, the European Commission bought software to run*

websites for them. And, one of the things that we did was to move away from this concept of shifting content out of CMS system into other platforms. And that is where we originally built that online [translation] workbench." (Straker Translations, 10th May 2011). The company now employs close to 5,000 translators who work as contractors and can translate text to over 12 languages using the online workbench system. Straker Translations is the first company to use an online platform for translations. The operations are self-funded and most revenues are reinvested back into the business. While Straker Translations has sales offices in nine countries, the actual physical presence outside of Australia and the Republic of Ireland remains minimal.

The Republic of Ireland is the key location for the firm's operations and only 20% of the business turnover is from Australia (Straker Translations, 10th May 2011). Most of the business comes from the UK and the East Coast of the US; the secondary markets are the Middle East and the rest of Europe. Yet, the company is still highly dependent on its employees located in Australia who have close familiarity with the source code of the software and thus are critical in resolving unforeseen difficulties with the system. Ireland serves as a hub for the international operations of the firm, although the size of Ireland's domestic market is minimal: *"the reason why we have based ourselves here is because we are a translation company and Ireland is seeing globally as a hub for localisation. So, there are quite a few big translation companies based here in Ireland. ... In all honesty, for most Australian companies I think, the default position is the UK or Ireland. And probably the Irish market itself probably isn't that attractive, so you are not going to base yourself here with the view of conquering the Irish domestic market"* (Straker Translations, 10th May 2011).

Since the transition into the translation business the volume of work submitted for translation has been growing by 10-15 times per year. There are 8 employees in the Republic of Ireland who manage around 60% of the volume of work, whereas the rest of the team is based in Sydney and Auckland (Straker Translations, 10th May 2011). The current intention of Straker Translations is to further expand its market commitment in Europe and establish a project management and administrative base in one of the new Member States of the EU since the enlargement in 2004. The initial entry into Ireland and the company's consequent internationalisation attempts in Europe will serve as basis for the case study analysis.

4.7 Conclusions

This chapter provided a description of each case that forms the basis for this research project. It placed each case in the relevant context that should be taken into account during case study analysis in Chapter 5. Further, this research project uses real company names in case studies to assist future researchers with transferability of findings and better interpretation of the results presented in the next chapter. Accounting for relevant firm-level and environmental contextual details will help future researchers to replicate the results of this research.

This chapter has provided descriptions of seven professional services firms that participated in this research, as well as brief cross-case comparisons. Particular attention has been paid to the details affecting the internationalisation process of each case study participant. Overall, the case study sample presents young firms with less than 10 years of foreign market exposure. Even so, key decision-makers within these firms spent a varying amount of time dealing with non-Australian markets, which is not necessarily reflected at the firm-level, particularly through the current level of foreign market commitment. There are only few individuals within these companies that played an active role in firm's internationalisation process which is related to the size of the firms. As outlined in Chapter 5, the experiential knowledge and learning of key decision-makers varies across these cases.

CHAPTER 5: DISCUSSION OF RESULTS

5.1 Introduction

This chapter will present the key findings of this study and will assess relevant empirical evidence collected as part of the processual methodological approach.

First, the chapter will discuss the chronology of critical occurrences and events with reference to the internationalisation timeline of the firms. The purpose of this section is to demonstrate the connections between discrete internationalisation steps and provide relevant explanatory narratives. Each case history will refer to the corresponding internationalisation timeline as part of the analysis.

Second, this chapter will present the sequence analysis findings of the interview narratives. The sequence analysis allows us to account for spatiotemporal context without undermining the scientific explanation and rigour of this research. The key purpose of sequence analysis is to identify patterns within the narrative that could explain what concepts are most relevant to the internationalisation decision-making.

Third, this chapter presents a cross-case synthesis and a process diagram of the internationalisation processes observed and analysed. In particular, it will demonstrate how experiential learning processes evolve over a period of time and in turn influence the opportunity recognition and foreign market commitment decisions of key decision makers and their firms. Chapter 6 will explain how this empirical evidence relates to the research questions and consequent contribution to knowledge.

5.2 The chronology of critical occurrences and events

5.2.1 *Case history 1: Straker Translations*

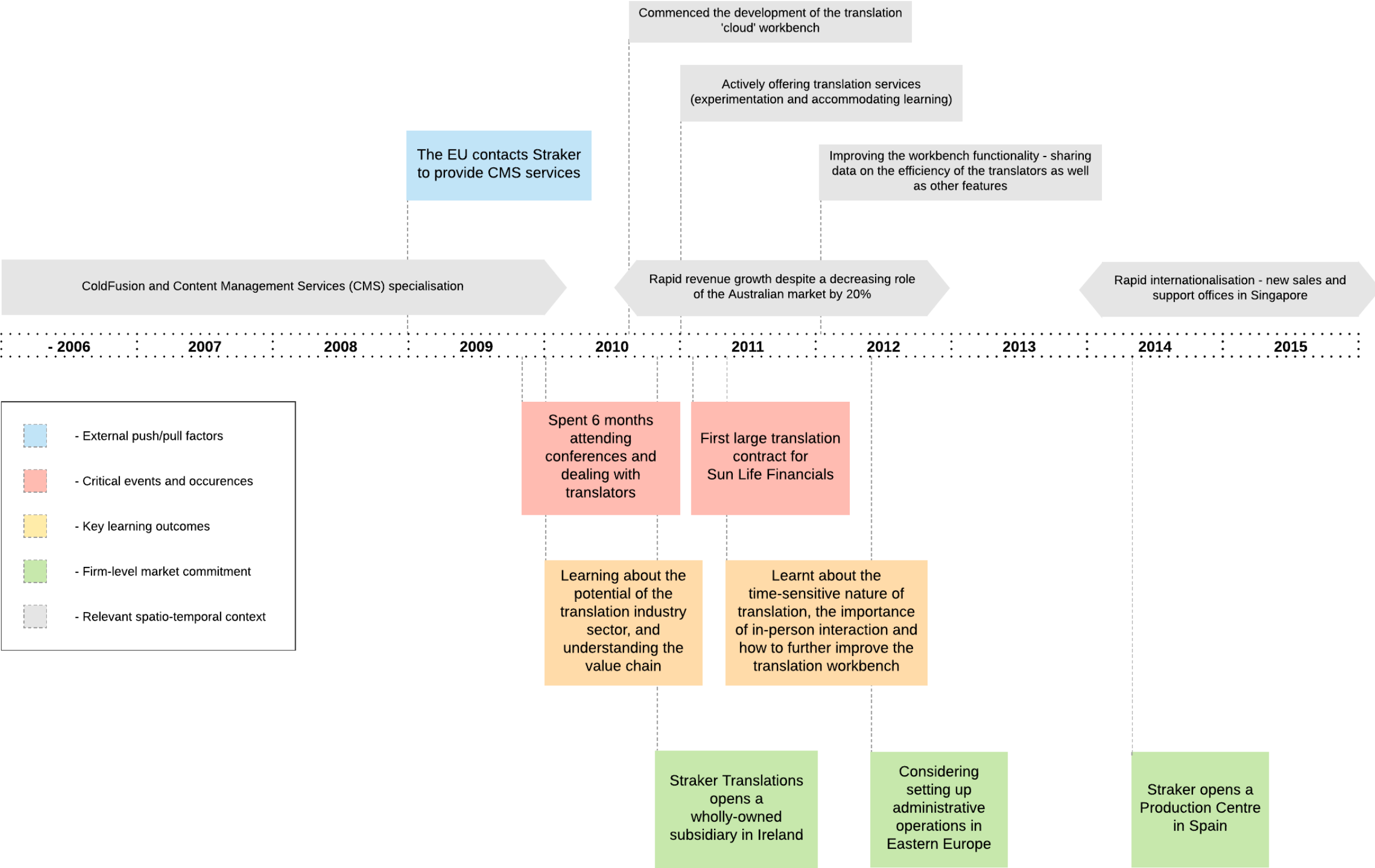
The internationalisation example of Straker Translations served as a pilot study to test whether a high degree of foreign market commitment depends on relevant experiential knowledge. In 2009-10, Straker Translations established a wholly owned subsidiary to pursue a foreign market opportunity in Ireland without sufficient prior experience and knowledge of the business environment in this country. This case will illustrate that

experiential learning predominantly took place in the firm after the foreign market entry.

The pilot study highlighted that the internationalisation process is very dynamic and context-dependent. This case will focus on the learning processes that influenced the foreign market commitment of Straker Translations during 2009-2013. Since Straker Translations operates in Ireland to deliver translation services globally, the case study will focus on not only the relevant in-market experiential learning, but also experiential learning about the global translations services industry that took place during that time. Figure 5.1 visualises the sequence of key events in relation to the internationalisation process of Straker Translations.

Throughout this case study, the discussion will explain the relevance of the events listed on the case history timeline as well as relevant learning and internationalisation outcomes. Key events that triggered experiential learning processes are colour-coded as red in Figure 5.1, learning outcomes are coded orange and internationalisation outcomes are coded as green. Important spatio-temporal context that supported the foreign market commitment is coded grey, while external push and pull factors are presented in light blue text box.

Figure 5.1: Straker Translations – the internationalisation history of the firm



Straker Translations is a good example of a firm that was pulled into a foreign market without necessarily having experiential knowledge that is specific to the business environment of the Ireland and the European Union. Prior to 2009, Straker Translations was providing ColdFusion programming language services and maintaining content management systems (CMS) for several clients in Australia and overseas. However, due to the dynamic nature of the software development industry, the introduction of open source alternatives and other new technologies made it challenging for the company to maintain its revenue stream in Australia only. As a result, in 2009 the company wanted to diversify its service offerings: *“There is no way that you can build a big valued business in the CMS space, because then what happens is you can't manage different sets of code, make it backward compatible with their different infrastructures. ... We have lost a lot of deals because we made a strategically bad decision over 8 years ago when we decided to build the technology system in the language called ColdFusion, which was the language that was owned by Adobe, reasonably prevalent but wasn't open source and still is, which is a nightmare. So when we were starting the CMS system we could only sell it to customers that support ColdFusion. As it evolved, we got more and more marginalised.”*

Straker Translations lost a major contract a year prior to its internationalisation of operations into the European Union (EU). The following quote best described the difficulty that the company experienced at the time: *“We got to a point of Disney world wide doing due diligence on using our CMS system for every Disney site, because of the multimedia features. And then we lost it because we couldn't convert it. Ultimately the CTO [of Disney] said we can't re-train 1,000 developers to support this language. But, then we won the EU, because EU runs the ColdFusion.”* The opportunity to service the EU websites platform was almost accidental. Departments of the EU Commission run Adobe ColdFusion and need secure content management system platforms that display content in multiple languages. A department of the Commission found out about the service offering of Straker Translations from the Google search engine and contacted the Australian firm directly. This was effectively an important pull factor for Straker Translations to enter this foreign market.

The European Commission is obliged to issue written material and deliberations in all official languages of the EU. During this internationalisation process, Straker Translations developed a new service offering: *“... it was just logical ... The translation*

industry is a 30 billion industry, there has to be a way how we can apply our skill set and technical capabilities.” As part of the Straker’s internationalisation to Ireland, the company perceived a need to shift content from websites to translators and then back into the content management system. Inadvertently, the Australian firm had to deal with translation agencies, which was difficult as they had their own information systems in place and did not want to follow a different process.

While working on the EU project, the key decision makers (G.S., M.S., D.S.) began exploring opportunities present in the global translations sector. One of the decision-makers described this as follows: *“What we found was that we couldn’t generate any impact on the economics of the translation cost ... We spent about 6 months going to conferences and trying to break the value chain of translation industry and understand how it was delivered. ... And then we naively came to the conclusion that we can probably do it.”* This was influenced by the new knowledge acquired after operating in the foreign market for just a relatively short period of time.

It is important to highlight that even after 6 months of active learning, the decision maker (D.S.) believes that the firm was “naïve” about its ability to deliver its translation services in Europe. In 2012, two years after setting up a wholly owned subsidiary in Ireland, the decision maker expressed that he was just reaching the point of having a reasonable level of experiential knowledge required to succeed in the translations market. This is best described with the following quote: *“It’s been a reasonable challenging couple of years and I think we are starting to get it right now. We are getting a more structured way of acquiring clients, information and knowledge”.*

The decision maker initially learned about the overall size and potential of the translation industry through the assimilating learning process, which is focused on logical soundness rather than practice, by reading reports from the Common Sense Advisory market research company. With time, the decision maker gained more practical experience by engaging in converging and accommodating learning. Most of this learning took place after the firm-level commitment in 2010 (see Figure 5.1).

In 2010, Straker Translations set up a wholly owned subsidiary company in Killarney, Ireland primarily for the delivery of translation services in the European Union and the US. Prior to that, the firm had no presence on the ground in the European Union, but

worked out of Australia. The delivery of the services for the European Commission did not require relocating or recruiting staff on a permanent basis. When setting up the subsidiary company, Straker Translations received assistance and incentives from the Industrial Development Authority (IDA) Ireland – an organisation that aims to facilitate economic development and job creation through foreign direct investment in Ireland.

The services provided by IDA Ireland accelerated the internationalisation process of Straker Translations. IDA Ireland made referrals to local industry networks, consultants and other organisations that assisted with setting up in-market operations. This bridged the knowledge gap of Straker Translations on relevant Ireland-specific accounting and taxation processes, legal as well as other requirements that the firm had to meet to be able to enter the market.

At the point of setting up the subsidiary in Ireland, Straker Translations did not have in-market business networks to source relevant experiential knowledge. Similarly, Straker Translations received minimal internationalisation support from government organisations in Australia. Austrade informed Straker Translations at the time that it did not view the internationalisation of small professional and technical services firms as a priority. The decision maker explained this as follows: *“You see, Austrade aren't interested. They are not interested in technology companies. These are guys that are offering some platform into mining ... We went on digital trade mission with Austrade several years ago ... We have never met them and that's not a negative of them, but there is just no value proposition for them. They are not interested in what we are doing.”* Even so, given the assistance received from IDA Ireland, the decision maker believes that setting up operations in Ireland was relatively free of complications.

A good example of Straker's accommodating learning practice that took place when it was already operating in the foreign market is the provision of translations service for Sun Life Financial (see key events and learning outcomes as part of Figure 5.1). Straker provided services for Sun Life Financial in the past, however, in 2010 Sun Life Financial asked it to carry out a first translation contract. Straker had to deliver global multilingual website for Sun Life with translations across five languages. Straker could not yet deliver the standard of work required without subcontracting the delivery of the service, which led to a loss of revenue. The decision maker explained this as follows: *“We*

lost money on that job because we had to make sure it is perfect, because it is important to us and what it allowed us to do is when someone said who have you translated for, we could put a website that was a visible translation so we had to make sure it is good. And, we didn't have the system setup to do it. So, we just had to throw translators." Straker then used the work for Sun Life Financial to demonstrate its ability to provide high quality service and pitch to new clients for the provision of translation services. Even so, at the point when Straker Translation delivered this service it was still in the early stages of learning about the delivery of translation services to foreign markets from Ireland.

The decision maker learned from this experience and made improvements to the online workbench (an online system used by translators working for Straker) to improve the efficiency of service delivery. While Straker Translations had been constantly working on releases to improve the functionality of the workbench, it could offer a more efficient system in 2011-2012. This is evident from the following comment: *"At the start it was all who we knew and that was very anecdotal. We'd get a job coming from French to English, I know there is a translator in Seattle who is really good. It was all soloed on the individual."* This again demonstrates that there were few firm-level processes in place for the purpose of effective sharing of relevant experiential knowledge between individuals within the firm.

The decision-maker believes that it is more challenging for the firm to share the technical knowledge of how the workbench system operates than to share project management knowledge. The reason is that individuals within the company in Australia and New Zealand hold technical knowledge. The company tried to work on the technical improvements from Ireland, but that proved to be inefficient due to a lack of technical documentation and the complexity of the programming code.

Similarly, the decision-maker believes that to secure new international sales the company needed to have specific experiential knowledge, which it had not yet developed. This is best explained with reference to the firm's intentions to provide translation services in Germany. The decision maker commented as follows: *"People are buying translation services locally. Where the translation is done they don't care, but they need to know that the person. It is not like a widget where you can access the quality of it straight away. You are taking faith in giving that work to us and so there is factors around social proof and sort of accountability that people want to see. Likewise if we go to France or Germany*

there is no point in us going to that market ... we are not going to win that business." This demonstrates the importance of building relationships and trust when delivering a service overseas. For Straker Translations, the internationalisation success is dependent not only on the translation workbench functionality, but also on the ability of specific individuals to build trust and people-to-people relationships overseas.

The decision maker believes that he developed a good understanding of how to secure a sale in the UK and the US. More specifically, the decision maker mentioned that he developed a feel for what the specific requirements of customers are. This can be illustrated with the following comment: *"If we get a sales call come in of a decent size, I always take it. Because, I know how to read the signals that they are asking ... and what do I push forward in terms of the different bits of the arsenal in terms of to close them out."* The decision maker stated that it has been a challenge for the firm to deliver this in other markets: *"And if someone from Germany rings us and my one German person who is a 23 years old ... the chances of pulling that deal through are negligible ... the chances of me pulling that deal through are pretty negligible as well."* The lack of in-market experiential knowledge and the inability to speak the relevant foreign language were the key barriers according to the decision-maker. While it might have been possible to secure one-off deals, the decision maker expressed that it is essential to have a good revenue stream: *"So, to crack a market you need to get a couple of big clients. You can't do it all as one off deals".*

The key aspects about the translation industry that the decision maker learned while providing the services from Ireland are the time-sensitive nature of translation services and the need for frequent interaction with the customers. While this understanding does not relate to the actual internationalisation process in Ireland, it certainly contributed to the successful growth and the provision of translations services off Ireland's shores. This also illustrates what kind of knowledge is 'learned by doing' through an accommodating learning style.

The decision maker strongly believes that Ireland is a great location for Straker, where the firm can access a highly educated workforce at a lower cost compared to the UK. Ireland does not provide a sizeable domestic market to justify a higher market commitment. However, the fact that it shares the Euro with most other members of the EU, as well as the significant service-market liberalisation across EU member countries makes it a very positive environment. While the key operations of Straker Translations

are located in Ireland, Sydney and Auckland, the decision maker primarily targets the UK market for translation services. Ireland provides significant location and tax advantages, especially if a client firm aims to sell its services in different markets in the EU. Service providers in the UK are exempt from the VAT tax if the place of supplying the service is outside the UK. The decision maker believes that operating directly in the UK would put the firm at a disadvantage, as it will increase the cost of providing the service.

While being located in Ireland, Straker Translations structured its operations to make it appear that the firm has a London base. The UK market is perceived as more competitive than Germany or France for translation services, and the decision maker believes that these markets outside the UK are more lucrative. Even so, has firm lacked relevant experiential knowledge to access these opportunities in 2013. The decision maker commented about internationalisation opportunities outside the UK as follows: *“For an Australian company the UK market is a far easier one to enter, but the other markets are far more lucrative. There is a lot more value in continental Europe, but it is just more difficult to crack it.”*

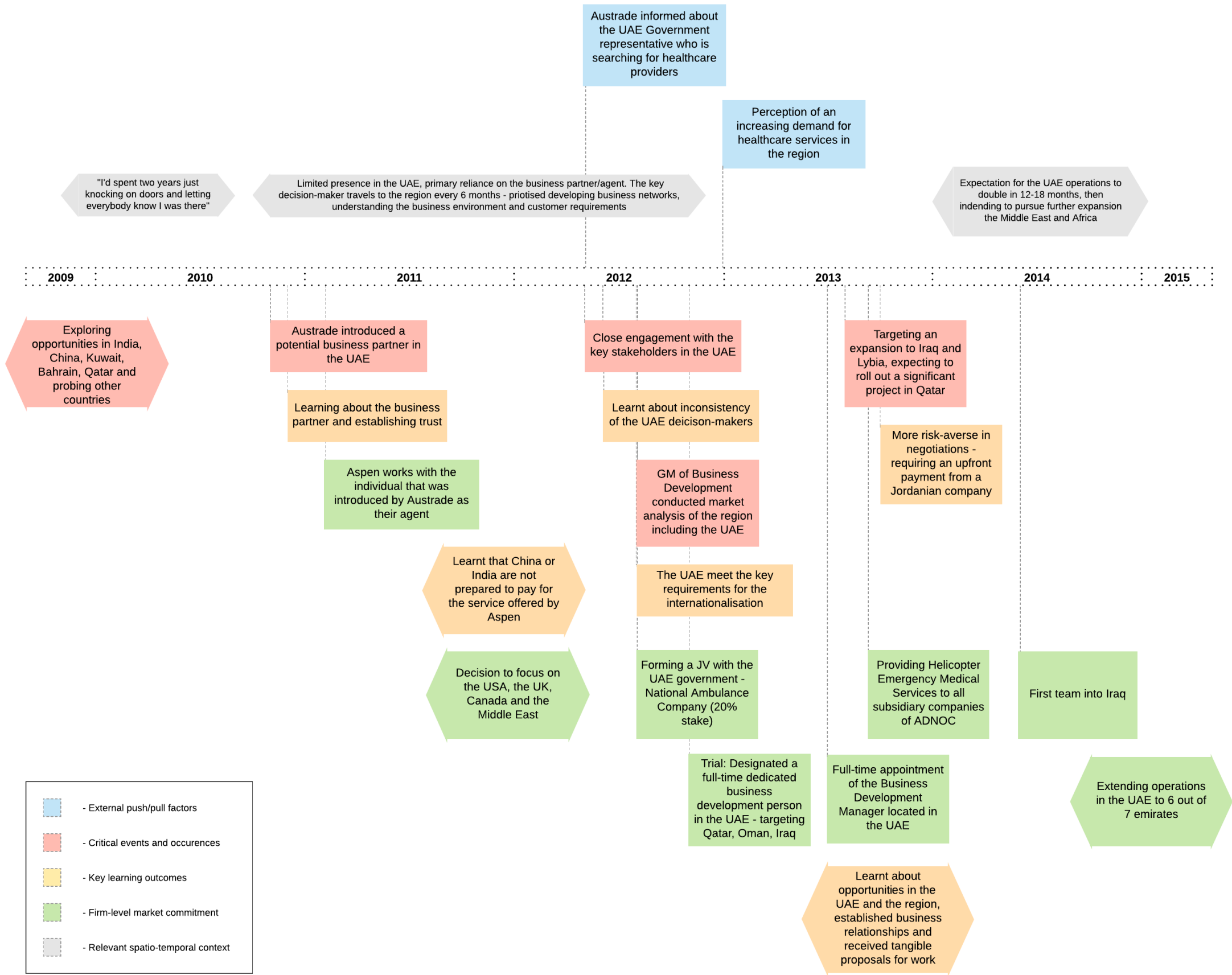
This case illustrates that the decision maker (D.S.) at Straker Translations did not have sufficient experiential knowledge at the time when they set up a wholly owned subsidiary in Ireland. The opportunity to service the EU market was almost accidental. The spatiotemporal context (i.e. the ColdFusion contract for EU) worked in favour of the firm’s internationalisation process. However, if Straker Translations had not been offered to provide ColdFusion services for the European Commission, which consequently triggered relevant experiential learning, it is very unlikely that it would have recognised the opportunity to provide its translation services in Ireland (see Figure 5.1 for the sequence of relevant events). At the time of the interview, the decision maker was considering setting up another administrative centre in Eastern Europe that would provide support to the operations in Ireland. In 2015, Straker Translations opened sales offices in Singapore, Spain as well as other countries. During the past six years, Straker Translations significantly expanded its international footprint.

5.2.2 Case history 2: Aspen Medical

The internationalisation of Aspen Medical in the United Arab Emirates and the Middle East is a result of what one of the founders of the company calls “two years of

just knocking on doors”. This two-year internationalisation experience resulted in a lead from Austrade that then developed into a joint-venture project with the UAE Government. It is important to assess the events and processes that occurred during 2010-2014 in relation to the internationalisation process of the firm and the experiential learning of the key decision-makers. Key processes and internationalisation-related events are summarised as part of Figure 5.2.

Figure 5.2: Aspen Medical – the internationalisation history of the firm



Prior to probing market opportunities in the Middle East, Aspen Medical briefly considered expanding to India and China. However, based on their prior experience, the founders perceived a lack of wherewithal for “first-world” healthcare in these markets. Therefore, the firm continued to focus on the US, the UK, and Canada. The Middle East was a relatively new market; the key decision-makers within the firm had limited prior knowledge of operating in this business environment. The key decision-makers on the project were the two founders of the firm and an agent who worked with Aspen in the market for almost four years. At a later stage, the firm allocated a dedicated General Manager to work on the internationalisation of the firm in the Middle East. The initial idea to probe for internationalisation opportunities in the UAE came from one of the founders, which was prior to any formal research by the General Manager on the potential foreign markets for the firm.

As a result of the prior linkages built by the founders (G.K. and A.W.) of the firm, Austrade introduced a potential business partner to Aspen Medical in the UAE in 2010. Consequently, this individual worked as an agent for the firm for almost four years. Most importantly, the agent provided the founders of Aspen Medical with relevant experiential knowledge of the UAE business environment. As an example, this individual worked as the head of the UAE-Australia Business Council and was therefore able to access relevant business networks and effectively promote the value proposition of Aspen Medical in this market. The following characteristics of the agent, as described by the key decision-maker, contributed to the development of a successful partnership: *“He lived there. His family was there. He’s Australian. So he got us, he was very well regarded, ... known to the Ambassador. ... he had all the right connections, very genuine, very trustworthy. I feel I trust him immensely. ... I would stay at his house when I went over there.”*

The founders of Aspen were committed to engage with the agent directly – developing mutual trust and understanding was a crucial stage prior to any business dealings. This is illustrated by the following comment: *“I met with him, I was quite impressed. Got my business partner to meet with him and he was quite impressed”*. Most of all, the interviewee valued practical on-the-ground knowledge and relevant business networks of the agent.

Notably, the agent did not have prior knowledge of the healthcare industry: *“He’s not a health services expert at all. He’s a networking guy. You’ve got to remember too, I’m not clinical. I have no clinical background. I own and run a medical company and I have no medical expertise.”* This again highlights the specific experiential knowledge or capability that the agent offered to facilitate the internationalisation of the firm. At the same time, the General Manager Business Development was an ex-defence intensive care nurse with in-depth clinical knowledge who worked for Aspen for over 9 years.

In a separate interview, the General Manager again reinstated the importance of business networks: *“inside information is coming from people who’ve been there ... and now we have a full-time person who’s doing the networking stuff.”* To elaborate further, the General Manager provided several examples of the knowledge/information sourced through the business network: *“...[it is about] how you approach them; it’s all around the soft stuff. They do take the time, you’ve got to know the right people, who’s connected to who, which royal family is doing what. And that’s how the whole thing... but he knows those connections.”*

During 2010-13, Aspen had a limited on-the-ground presence in the UAE and primarily relied on the agent to develop foreign market opportunities. The agent worked on a retainer and, if there were no tangible outcomes, it was easy for Aspen to pull out of the market. During 2010-2013, the key decision makers travelled to the UAE and other countries in the region on average every 6 months.

Around 2012, Austrade provided a lead on an individual from the UAE government who had been looking for a partnership with a healthcare provider to deliver ambulance services (see Figure 5.2 for a detailed timeline). Prior to considering Australia, the individual made enquiries among potential healthcare providers from Scandinavia, the UK, and the US. The provision of the information by Austrade was not entirely a “by chance” opportunity: *“I probably spent two years trying to find a way into the market. We’d gone around and then finally, we actually had a recommendation reach us from Austrade.”* Prior in-market work of the key decision maker on familiarising relevant individuals with the firm’s value proposition made a positive contribution to the internationalisation process of Aspen in the UAE. Nevertheless, the decision-maker admits that they did not do an agent audit and had the recommendation not come through it is unlikely that the firm would have succeeded with the internationalisation process.

Aspen Medical spent significant time negotiating with the key stakeholders in the UAE prior to signing the joint-venture agreement. Both of the founders of the firm, as well as the agent who worked for Aspen Medical in the UAE, took part in the negotiations. The key decision-maker found the negotiation process difficult primarily because of the inconsistency of the negotiating party. The following quote described this specific situation best: *"...the inconsistency of what they say. You know, 'Yes, that's fantastic, I'll do that tomorrow.' It never happened. 'I'm very excited, get me a proposal. I'd love to sign it immediately,' and they don't do it. Then the counter to that is when they call you and go, 'You need to be here on Thursday.' You get there and then ... 'We couldn't meet today, that's the weekend. So he'll meet you on Sunday.'"*

The key decision-maker believes that if an individual or a firm cannot deal with similar situations, they should not be in the market. Nonetheless, it is important to *"make a call on when you think you're going to get something out of it or not"*. In this specific situation, the decision-maker reflected on his prior experience of conducting business in Indonesia (as part of a separate business entity) and decided to go ahead with pursuing the market opportunity in the UAE. It is interesting that the General Manager has a different interpretation of the difficulties during the negotiation stage. Her position is that these difficulties might have been due to a negative prior experience of specific individuals in the UAE when dealing with Western countries. At the same time, the General Manager did not participate in the negotiations process directly.

The learning process associated with the negotiations impacted on the future internationalisation strategies of the firm. The key decision-maker believes that the frustrating negotiation process was not only due to the UAE culture, but negotiating partners also used it as a strategy for *"chiselling us out of more stuff"*. The key individual listed the main things learnt from his experience in the UAE as follows: *"few agreements are guaranteed, no one takes responsibility for the guy before them even if the terms of agreement are written down, and, nothing happens on time"*. As a result, when negotiating a separate contract with a Jordanian company, regarding opening hospitals in Jordan, Southern Sudan, as well as various countries in Central and Western Africa, the key decision-maker applied strong risk-averse tactics. As a result, the Jordanian firm paid upfront costs associated with putting a team on the ground to scope out the clinic and do business development activity. Similarly, the decision-maker decided against a high-

risk joint-venture entry mode for Iraq deal. These internationalisation outcomes are summarised as part of the internationalisation history timeline on Figure 5.2.

Given the decision-maker's (G.K.) knowledge of conducting business overseas, he strongly believes that every country is different and thus a formal organisational-level routine cannot provide a useful systematic guidance through the internationalisation process. Further, in a separate interview, the General Manager expressed that as part of the internationalisation process it is important to go beyond established firm-level routines and processes: *"if you want that routine to be relevant you have to be changing that and you have to keep sourcing knowledge and people."*

In 2013, Aspen Medical held a 20% stake in the joint venture with the UAE government. When the joint venture meets all of its key performance indicators Aspen Medical is entitled to uplift in the dividend from 20 to 25%. The decision makers had no choice over the specific entry mode into the UAE as that was the deal proposed by the UAE government and a part-ownership for no cost was an attractive deal for Aspen Medical. Aspen Medical was the first Australian company to form a joint venture with the UAE government.

In this specific situation, entering into a partnership with the government minimised the perceived risks of running the business overseas. This also helped the firm to overcome some barriers of conducting the business: *"The great thing about having the government as your partner ... You know, the contracts we won and to get stuff done and visas sorted and all of that sort of stuff and they're reliable. You know they're there. They're not going to go away. They're the government. So they get paid. They get their bills paid. All of that sort of stuff happens. So that took a lot of risk out for us."*

Soon after the formation of the joint venture in 2012, the key decision makers (G.K. and A.W.) had less hands-on involvement. The firm assigned a different individual within the company (the General Manager Business Development) to overseeing the joint-venture operations in the UAE. Just prior to the formation of the joint venture, the General Manager conducted market analysis of the UAE and other countries in relation to the barriers to entry and potential market opportunities. This research reconfirmed a strong potential in the UAE. Similarly, prior in-market engagement led to new market opportunities in the region.

In light of the growing demand for healthcare services in the region, Aspen Medical sent a person to the UAE on temporary basis as a trial in mid-2013 (see Figure 5.2). It tasked this individual to further explore and develop the opportunities beyond the current joint-venture arrangement. More specifically, these opportunities included further work in the UAE, Qatar, Oman and Iraq. The key risk was the inability to secure a tangible outcome from these markets within the three months' timeframe as well as the risk of signing up for a project that the firm would eventually not be able to deliver.

This individual was well-suited to operate in-market due to his knowledge of workforce planning. Furthermore, the key decision-maker positively commented on the learning approach of this employee: *"He gathers, interprets, tests, adjusts, gather, interpret, test and adjust."* Therefore, it is important to touch several bases of the ELT learning cycle when developing/exploring foreign market opportunities, which at the end will allow an individual to "test and adjust", a characteristic of an accommodating learning process.

The key decision-maker described the important role of accommodating experiential learning as follows: *"The stuff around the licences and the business modelling and all that, that's very transparent or you can go dig it up, right. There's lots of people who can help you do that but know what the customer wants and know the business networks, it's not transparent at all. That's shoe leather. Get out, talk to people, go to lunch, have meetings, speak to people, make stuff, read stuff. That's what you've got to do."* This quote shows that while all modes of learning are important, learning from hands-on experience and non-technical information is a critical part of the internationalisation process. The key decision-maker believes that his initial knowledge at the time when he started probing market opportunities in the UAE was "pretty average".

Moreover, the General Manager stressed the importance of grasping experience by feeling: *"I use the same thing in business. But we don't use enough of our senses, we think we're in business, it's a computer, it's an algorithm, it's a this it's a that, it's got to be scientific. And one of the pushes around females in business is we use a lot more of our emotional intelligence ... the entrepreneur has a good feel in their tummy, it's just a gut instinct, a sixth sense, whatever you want to call it that that looks like a good place we should go."*

The three months trial of having an on-the-ground person in the UAE was successful. This employee is now located in the UAE on permanent basis. The key decision-makers of the firm are intending to set-up a wholly owned subsidiary in the UAE, which will serve as the regional office. They based this decision on the success of the firm in securing a 700 people project in Qatar as well as further work in Lybia, Iraq and other countries. The General Manager commented re the opportunities present in the market as follows: *“We have nine, ten different proposals that are just coming in. Every week there is someone else wanting something from us. We get a lot of requests here but nothing on the scale of what's being requested over there, so it's scalable and because it's such a virgin market we've got no competition.”* At the end of 2013, Aspen Medical expected their operations in the UAE to double and they were aiming to pursue further opportunities in the Middle East and Africa.

Overall, the expansion of the operations in the UAE was gradual and took place over a period of 2 to 3 years. The business paid dividends about six months after the initial start-up of the joint venture. First, Aspen won the contract for the provision of ambulance services in Abu Dhabi and then it expanded operations to six of the seven Emirates, which now involves over 750 people employed on the ground as part of the joint venture. Figure 5.2 provides a summary of key internationalisation-related events, learning outcomes as well as other contextual information that influenced the international development of Aspen Medical.

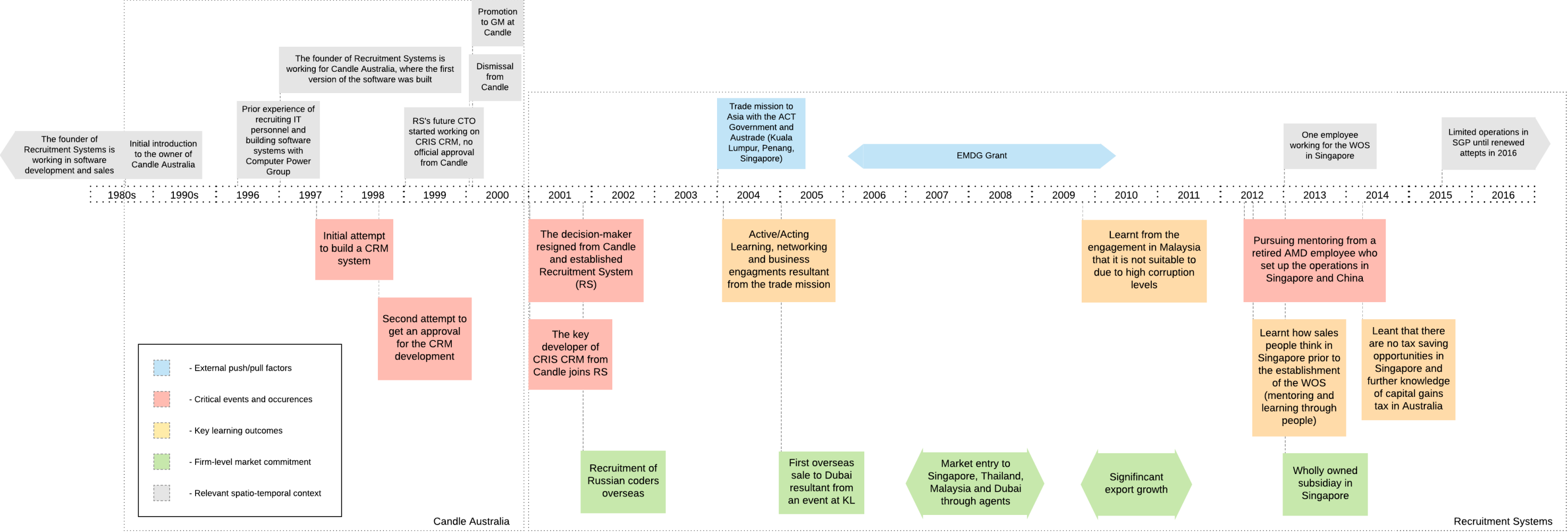
Aspen Medical is a good example of an incremental internationalisation journey. The firm gradually assessed the level of risk and built its foreign market commitment, depending on the knowledge and commitment to tangible projects overseas. Future internationalisation intentions of Aspen Medical in other markets most certainly contribute to its increasing market commitment in the UAE. This is evident from the following quote: *“we're setting up a clinic in Iraq in the Rumaila oil field and to do that we'll have our own company in the UAE that will do that.”*

5.2.3 Case history 3: Recruitment Systems

When analysing the reasons behind the establishment of Recruitment System's wholly owned subsidiary in Singapore in 2013, it is important to consider a broader sequence of events that influenced the development of the company and its internationalisation process since 2004. This consideration needs to take account of several important

contextual factors. The prior experiences of the key decision-maker (N.B.) are important in understanding the incremental development/learning that led to the firm's internationalisation. Reconstructing a chronology of events prior to a specific internationalisation outcome helps to identify sequences that triggered the firm's learning. Figure 5.3 presents a detailed chronology of the events affecting the internationalisation process of Recruitment Systems, as well as relevant experiential learning outcomes. A review of this case history demonstrates how the information learnt through experience becomes relevant to the foreign market commitment.

Figure 5.3: Recruitment Systems – the internationalisation history of the firm



During 1970s-1980s, the key decision-maker in the firm was not involved in personnel recruitment or human resource management. The future Recruitment Systems CEO started as a sales representative of IT software. His first involvement in recruitment took place in 1991, as part of the employment in Computer Power Group, which also involved a strong information technology and software focus. The founder of the Recruitment Systems highlighted the importance of his prior background in software to the future development of the Total Recruitment Information System (TRIS): *“I’d been involved with building a system with Computer Power Group earlier. And I’ve always been in software.”*

The key decision-maker met the owner of the recruitment firm Candle Australia in 1986. At that time, the founder of Recruitment Systems had no real engagement in the recruitment business. However, this contact was critical for the future career direction of the Recruitment System’s CEO. In 1996, he was invited to build the Canberra branch of Candle Australia. The initial idea to design TRIS evolved as part of the employment for Candle. It is important to highlight that the professional services offered by the Recruitment Systems did not evolve in isolation. The founder of Recruitment Systems highlighted that the initial idea for TRIS evolved five years before the creation of his company: *“but when I started working with Candle in September 1996 I’d known Geoff Moles from ten years earlier. Geoff was the guy that owned Candle and so getting the gig to build the Candle branch was just a couple of chats over a sandwich at lunch time and he funded that. And in September 1996 I had a look at the system that he was using. It was DOS based and it was old and it was clunky ... So I wrote about a six or eight page this is my dream of the system, sent it off to Geoff and said, “I’d like to build you a new system”.”*

It is important to stress that the development of the software solution did not take place exclusively within Recruitment Systems, although most of the work on the software took place post-2001 when N.B. founded the company. The founder of the Recruitment Systems designed an early version of the software at Candle and it did not receive strong management support. At a later stage, a software developer from Candle joined Recruitment Systems as a Chief Technical Officer (CTO). Thus, at the start-up stage Recruitment Systems relied on the experience brought in by the founder and the CTO to develop the niche software solution.

Recruitment Systems' first internationalisation attempt took place in 2004, and was triggered by the joint ACT Government and Austrade delegation to Kuala Lumpur, Penang and Singapore (see Figure 5.3). This event triggered the future internationalisation processes and therefore it had been an important push factor for the firm. When asked what triggered the decision to establish the wholly owned subsidiary in Singapore, the founder of Recruitment Systems provided the following response: *"Okay, it's a classic case. This was about in 2004 or 2005 ... I went on a trade mission to Asia with the ACT government and that was really what got me - dragged me kicking and screaming into export because they needed people to go on the mission and I got nabbed, basically, to go on the mission. And I said, 'Well, it sounds like fun.' Again, an emotional thing. And so I went on this trade mission to KL, Penang, Singapore. I think that was all."*

At the time when the key decision-maker participated in the trade mission, there was no pre-planned intention to internationalise in Singapore. The key decision-maker described his decision to participate in the trade mission as *"an emotional thing"*. This engagement in the trade mission led to a sequence of events during 2005-2009, which directly contributed to the experiential learning of the key decision-maker.

The company's first sale resultant from the trade mission event was not in the East Asia region, but in Dubai. The key decision-maker described the internationalisation in Dubai as *"pure opportunism."* Business networking events at the trade mission in Kuala Lumpur led to an introduction to an agent in Dubai who assisted with future internationalisation through indirect exports. The decision-maker made the following commentary: *"I arrived in Dubai, I said, holy cow, that's going on here, and then the first sale in Dubai actually stemmed from a cocktail in KL on that first trade mission. A guy I'd met in the cocktail party knew a guy in Dubai and he said, 'You should talk to this guy in Australia.'"*

The decision-maker's personal trip to Dubai in 2003/2004 prior to the Austrade delegation in 2004, also influenced the initial interest in Dubai. Again, he did not plan this trip, as it was a stopover during another trip to the UK. Nonetheless, this made an impact on the perception of this market and influenced future internationalisation attempts. *"We were doing a lot of business ... in Dubai. When I started in Dubai. This is absolutely - I had a trip to do to Britain. I'm too old to fly economy and so I wanted a business class seat to Britain. ... Again, I said it sounds like a good idea, purely emotional decision; sure I'll fly Emirates first class anyway. And thrown in with it was a two-day stopover in Dubai. I*

had no idea where Dubai was. I'd never heard of Dubai. This is like 2003/2004. So how did I start - how did we start in Dubai? Because Emirates threw in a two-day stopover, I turn up in Dubai, my eyes dropped out of my head, and I said I want a part of this. So we started doing business there. Not very practical, is it?"

The personal interests and individual perceptions of the key decision-maker strongly influenced the internationalisation strategy of the Recruitment Systems. The interviewee (N.B.) openly admitted this: *"... individual's likes and whims and whatever. I mean, why did we spend so much time and do so much business in Dubai, or in the Middle East? I love it. It's a beautiful place. The deserts are incredible ..."*. This also highlights the learning style of the key decision-maker; more specifically, the strong preference for engaging with foreign market opportunities directly without necessarily prior groundwork or a pre-planning stage.

The key decision-maker's engagement in a trade mission to East Asia in 2004 illustrates this. Therefore, the internationalisation strategy of this firm is somewhat opportunistic: *"Also there is a lot of opportunism as well. So most of what we've done is reactive rather than proactive. Most - not all but most."* Even so, this opportunism had led to specific learning outcomes. The participation of the key decision-maker in a trade mission to East Asia led to a meeting, which assisted in establishing exports to Dubai. Then, the key decision-maker relied on the experience within the newly created business network to access an agent in Dubai. This foreign market opportunity was not foreseen. However. It arose from the type of behaviour exercised by the key decision-maker.

The key decision-maker used the following description to clarify what he describes as 'opportunism' in accessing foreign market opportunities: *"There's another thing that you might have heard me credited with. I've got a saying that says, "Turn up, not many people do." And if you turn up, something might happen, but if you don't turn up you can guarantee nothing will happen. Most people will find any excuse not to do something, you know, "I won't go to this cocktail party because no one will be there."* It is clear that the key focus of such so-called 'opportunistic' behaviour is to engage in activities that might lead to a specific business outcome, and yet there is limited certainty about the success of such networking initiatives.

Although the internationalisation into Dubai was somewhat opportunistic and emotional, it still led to specific learning outcomes. The key decision-maker learnt that *"In Dubai, don't expect to get paid for four or five or six months ... and that's perfectly normal."* Nonetheless, Recruitment Systems utilised this knowledge to adjust their operations to overcome this barrier: *"the way we did business we get paid up front so that didn't really apply to us."*

It is interesting that the key decision-maker of Recruitment Systems exhibits behaviour typical for accommodative learners in his later internationalisation attempts in Malaysia as well as Singapore. In case of Malaysia specifically, Recruitment Systems attempted internationalisation through agents without conducting prior groundwork on the role of corruption within the country. The following quote illustrates that the key decision-maker did not know *"how it worked"* in Malaysia: *"We had a go at doing some work in Malaysia and we visited and we did a lot of negotiation work and eventually we said we don't want to do business in Malaysia because it's too corrupt. It's just we didn't know how it worked but we didn't like working in a corrupt environment."* Because of the knowledge gained through the hands-on experience, mainly due to the key decision-maker's (N.B.) preference for an accommodating learning style, Recruitment Systems decided to pull out of the market and consequently limited its degree of foreign market commitment.

It should be highlighted that further experiential knowledge did not facilitate greater market commitment in this case. Instead, the case challenged the initial perception of committing to a foreign market opportunity and participating in the internalisation process. The involvement of the key decision-maker in the foreign market led to the acquisition of knowledge through active experimentation and concrete experience. The key decision-maker learnt that they could not bypass corruption: *"In Malaysia, as I've already said, expect to have to bribe people. It's the only way..."* In this case, the experience alerted the decision maker to potential difficulties of greater market commitment.

The key decision-maker commented that at the time of the interview Recruitment Systems was not ready to internationalise in Malaysia. He expected that it would take time to learn how to access this market: *"...we just didn't do it ...maybe in the next 12 months we'll probably do some business there but it'll be started from working with a company in other markets."* Again, it is clear that the decision-maker intended to rely on the

knowledge sourced from other individuals to find other pathways to internationalisation.

The most significant internationalisation event for Recruitment Systems took place in 2013 when the company established a subsidiary venture in Singapore (see Figure 5.3 for the case history timeline). The establishment of a new business entity in Singapore was initiated by the decision-maker's intention to access other markets in East Asia, achieve potential tax savings and the intention to sell the business at a later stage. Most importantly, the key decision-maker considered the trade mission in 2004/2005 as the key event, as it shaped his decision to internationalise into Singapore. At the same time, the decision-maker referred to the sequence of events triggered by the trade mission in 2004: *"...something will drop in our laps and we'll say, okay, then I'm in Singapore because I've got someone in Singapore [referring to business networks]. ... and, they're just opportunistic sales [referring to sales in foreign markets through agents]. But they weren't really thought out strategic decisions that we should go and sell... And Dubai was another classic example."*

The key decision-maker initiated the internationalisation into Singapore with limited assistance from other individuals. The business in Singapore has only one employee, who the key decision-maker knew through his prior engagements in this country: *"He was known to us. He was the guy who was in charge of the implementation for one of our major clients in Singapore. Again, opportunism. We said, 'Well, if you're available, we will employ you, so we'll create a position, because we can.'"* It is clear that the key decision-maker highlighted the importance of prior engagements in the market rather than just opportunism. In this specific case, prior engagements helped the decision-maker to find a suitable employee to lead the business in Singapore.

International rankings of host countries generally rank Singapore as one of the easiest destinations for doing business by businesses. Nevertheless, Singapore's business environment has several relevant nuances. The decision maker highlighted the importance of understanding *"how places work"* as follows: *"No. I think it's easier to sell overseas than it is in Australia. What difficulties? Singapore is very straightforward. You need to understand how places work. Singapore is very international, if you like..."* He further explained the kind of knowledge that may help to understand *"how places work"*, by revealing that the key decision maker had a mentor in Singapore who provided relevant

advice. The extent of experiential knowledge of this mentor shines through in the following quote: *“I also have got a mentor in Singapore who is – he’s the guy that set up AMD in Singapore and in China, and he’s retired now.”*

Upon further probing, the decision-maker described the knowledge gained through mentoring as follows: *“The guidance that a Singaporean will give is very subtle and you’ve got to be very aware of the nuances of what people say. A Singaporean might say, “Mm, have you considered doing it this way?” So what guidance have we got? Stacks, but you’ve really, really got to listen hard to get that guidance ... That local knowledge has been not crucial but incredibly helpful and it has changed the way things have been done. Classic one is understanding how sales people think in Singapore. That’s a very Chinese attitude. They are very, very hungry indeed but they are – the primary concern of anyone, sales people included, is family. Family, above everything.”* This quote shows that the knowledge gained through mentoring is tacit in nature, and relates to understanding the nuances of the business environment of a host country and the ways in which people perceive issues, which can only be gained through direct engagement in the host market.

The internationalisation in Singapore also led the key decision maker to reassess the initial perceptions and motivations for market commitment. This is best illustrated with the following quote: *“Now it seems like a lot of work for little reward. I did think at the time that there was a lot of potential for tax saving. There is not because we’ve got a double taxation agreement with Singapore. I had thought that there was potential there for savings on capital gains tax because if we, as owners of the business, were to sell this business, then we’re going to be paying capital gains tax. However, I didn’t realise at the time that capital gains tax in Australia for small businesses is not as painful as most people think. Would I set up a company there now? Yes, I probably would. But it wouldn’t be as much an imperative as it was – as it seemed to be then. It’s certainly a painless operation and relatively inexpensive.”*

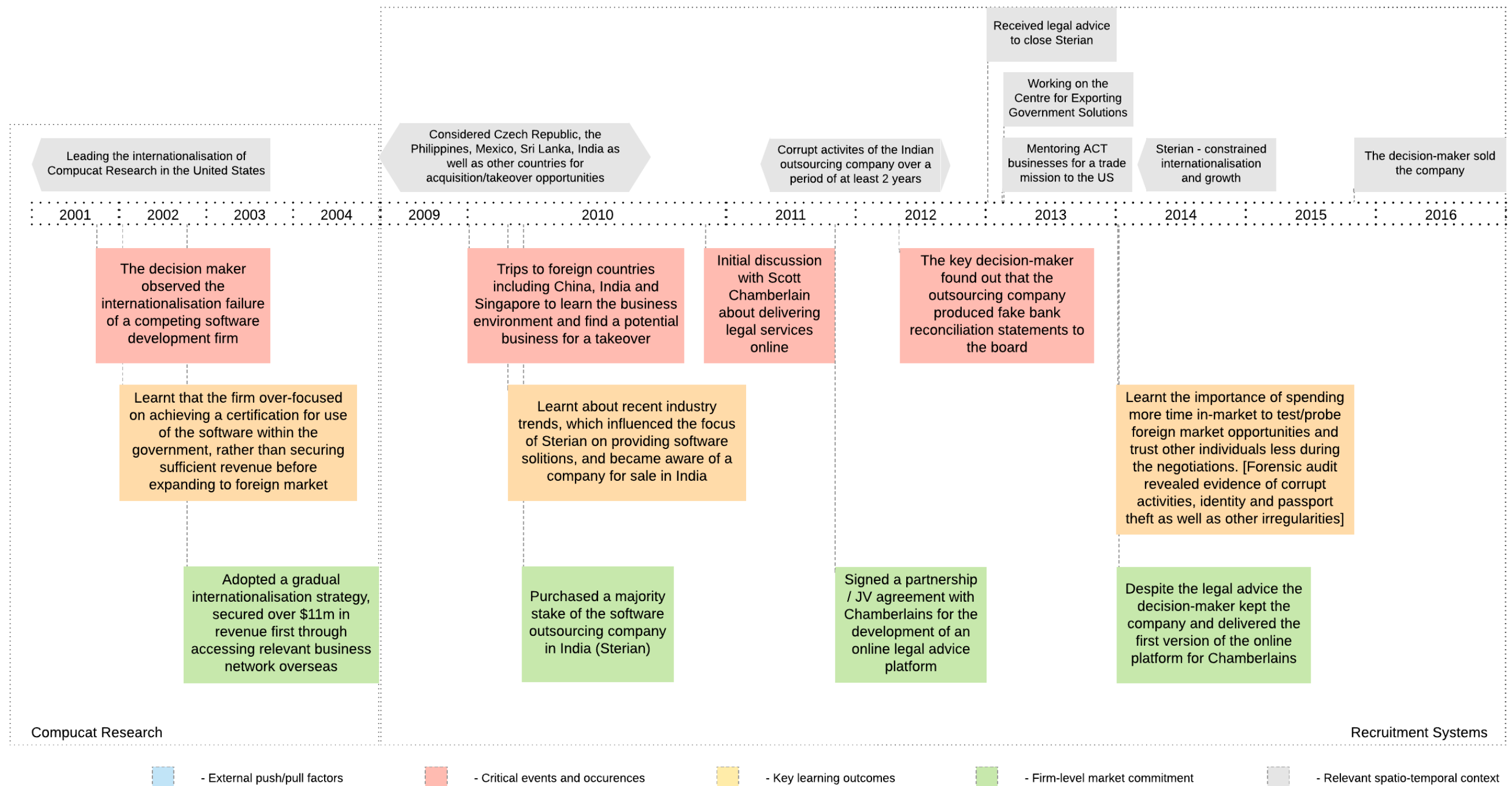
One would argue that focusing solely on the accommodating learning style resulted in overconfidence, which has led to a rushed market commitment. Information on tax regulations can in principle also be acquired through other modes of learning such as reflective observation and even abstract conceptualisation. These learning modes do not necessarily require a physical presence in the market and therefore may present lower risks.

5.2.4 Case history 4: Sterian

The key decision maker of Sterian has substantial experience with operations in foreign markets that he had gained during his previous career. The company's very first involvement in the internationalisation process took place in 1979, when the decision-maker was involved in selling services provided by British Airways to Tanzania. Since then, the key decision-maker had been involved in several organisations that had a strong reliance on foreign markets. His prior experience is best described with the following quote: *"I've exported services, products, solutions, you name it, to anywhere ... big companies, small companies, two person companies was the smallest, and that was scary, up to global brand names. Each of them have their own ... challenges, ... 1979 I started exporting out of the UK into Africa, the Middle East, etcetera, and basically kept going since then. Hopefully one day I'll get it right."* The interviewee and his companies received several awards, such as Austrade IT exporter of the Year, Business Software Product Year and Australian Direct Marketing Award.

The internationalisation timeline in Figure 5.4 outlines prior learning experiences that influenced the internationalisation strategy of Sterian. In the early 2000s, the key decision-maker developed an internationalisation strategy for a Canadian software engineering company. In the employ of that company, the key decision-maker sold software solutions to the US Government as well as other countries – Canada, the United Kingdom, New Zealand and Australia. The decision-maker's knowledge of software solutions specifically was developed as part of his prior work on the internationalisation strategy for Compucat Research.

Figure 5.4: Sterian – the internationalisation history of the firm



While working for Compucat Research, the decision-maker learned from the experience of a competing company that was also seeking to internationalise into the US. The competing firm had a secure revenue stream in Canada, but it decided against setting up an office there. Instead, it opened an office in the US even though it had no existing clients in that market at the time. The competitor spent five years in the US market and did not sell any technology or service. The cost of operating in the US during that period was close to US\$15 million and consequently the firm had to withdraw. Irrespectively, the key decision-maker of Sterian, who worked as a Director for Compucat Research at the time, decided to pursue the internationalisation of Compucat in the US market.

The decision-maker had a “*gut feel*” that by adopting a different strategy to its competitor, Compucat Research would succeed in the market. The following direct quote illustrates this: *“I was only a Director of the company that time, so I wasn't Managing Director, but I knew if it looked good in my bosses eyes, by going down the Canadian path and working from it, and I had a gut feel, it was emotion, we had to have the facility in the US. That was it, and the difference between the two of us, we became very, very successful there, incredibly successful, the difference was that the strategy they adopted within the US, was flawed, and that was the second mistake. So the first mistake was to set up in the US, but the killer mistake was that the strategy adopted, was wrong. The strategy was wrong, the result of tactics were poorly undertaken, ... and that's why I could see that when we were looking at establishing ourselves. So given that I was adopting a different strategy, that was probably, but it was still gut feel, still gut feel. But it was successful, we were making our first, our second contract in the US was worth about just under \$11 million, so as you know in software sales \$11 million, that's a big chunk of profit, and so I then went on to other businesses in the US etc.”.*

Instead of qualifying for the certification necessary to deal with government agencies, which is what the competitor prioritised, Compucat Research focused on securing in-market revenue first by building in-market relationships and knowledge. Relevant business networks assisted the company in gaining access to key decision-makers overseas and helped it to build trust during the negotiation processes. The decision marker recalled: *“We weren't a threat, there was no need for defensive mechanisms, these*

defensive mechanisms still existed, but they were not as far as they were ... it was then a case of building a relationship with the person across, and cut a long story short, a supposed 20 minute slot that we had, was two and a half hours, with a follow up a week later with calls that then lead to \$11 million, a single contract for \$11 million with the business."

The key decision-maker also focused on building business relationships and trust as part of his involvement in Sterian. He noted the importance of people-to-people networks frequently throughout the interview. For example: *"[I have been given] a lot of opportunities to work in a number of different countries, shorter and great periods of time. Dealt in products, dealt in services, tangibles, intangibles, and so on. The key to all this is that it gets down to a person- to-person relationship, and everything else is just work, and process. Without the relationship being in place, nothing will ever happen, and what you need to do, is make the process as simple as possible. ... I've always found, is that if there are relationships that sit alongside the processes and the business model, that's the magic ... it circumvents cultural issues, it removes barriers, whether they're legislative, cultural, any other that exists, I can't think of them. ... I've done contracts with people on a handshake, that have lasted for six years, and we've never written it down. I had contracts that have been written on paper, and they've collapsed the next day. Guess what, you didn't have the relationship."* The case indicates that a shared vision and interest between two parties can help to source relevant knowledge or capability to overcome internationalisation barriers. The knowledge that the decision-maker had learnt when working for Compucat Research was also relevant for Sterian.

In 2010, the founder and key decision-maker of Sterian (S.R.) acquired a majority stage in a typical Indian outsourcing company (see Figure 5.4). Prior to acquiring the business in India the key decision maker considered other locations, such as Czech Republic, Philippines, Mexico and Sri Lanka. The decision-maker had prior connections to most of the countries that were considered for the internationalisation: *"I thought Czech Republic, purely because of an ex-colleague of mine, that was looking good, and India, because I had worked there before, ... So likewise Sri Lanka, I'd worked there, and so on"*. The key decision maker focused his further learning in particular on China and India, where he travelled to understand on-the-ground specifics of the software development industry. As part of this learning experience, the decision maker not only explored in-market opportunities but also reflected on his in-market observations. This is evident from the

following quote: *“I still remember sitting on the plane coming home to Sydney ... I was writing a report to myself, of what I had discovered. ... decided not to go to China, because the commercial laws are still in their infancy, by comparison to other countries, and they're still being developed as they go, and you cannot as a foreigner have a majority shareholding.”*

This behaviour reflects a diverging learning style (see Chapter 2 for the discussion of Kolb's ELT), where an individual observes an environment, gathers information and then reflects on this experience in a structured form. Similarly, the reflective observation learning mode indicates that an individual is actively transforming prior experience into knowledge, rather than using sensation/feel as a key throughout the internationalisation process. This demonstrates that the decision-maker effectively engaged in double-loop learning and modified his initial intention to acquire a company in China. Section 2.5 explains reflection on experience and double-loop learning.

The decision maker had a set of requirements for the acquisition in 2010, the most important of which was to find a company where the owners were not trying to sell out and were interested in retaining a certain percentage of shareholding. Several companies became available and the decision-maker bought a firm in India in 2010. The firm was then renamed Sterian and had a change of strategic focus from outsourcing to the provision of software solutions.

In 2010, the decision maker discussed the design of a platform for delivering legal services online with Scott Chamberlain (the founder of Chamberlains Law Firm). In order to develop the online solution for Chamberlains Law Firm, the key decision maker relied on the technical knowledge of software developers within Sterian and the domain expertise of individuals within the Chamberlains Law Firm. Soon after acquiring Sterian, the key decision-maker signed a partnership/joint-venture agreement with Chamberlains for the development of an online legal advice solution. The formation of a joint venture with Chamberlains was part of a strategy for Sterian to move away from a strong focus on conventional software development towards building up software solutions capabilities and gaining an advantage over other software development firms.

The strong focus on the provision of software solutions is due to the key decision maker's prior knowledge of the software industry and the specifics of the business

environment in India. Developing software solutions takes a very different strategic approach to a typical software development firm. This involves risk as the solution has to be built before Sterian secures a relevant client base and revenue for the product. Due to strong price competition among software developers globally, and also the fact that India was losing its comparative advantage to other countries, it was important for Sterian to transition towards the provision of specialised software solutions. The key decision maker believes that the following capabilities were important to adopting the new strategy and maintaining the subsidiary overseas: 1. Good understanding of a problem that will be addressed/resolved in the field; 2. Extensive domain-specific knowledge; 3. Technical knowledge; 4. Prior experience and knowledge on how to take a product and make it sell.

It is practically impossible to develop a software solution without relevant domain knowledge. Chamberlains Law Firm provided Sterian the relevant domain-specific knowledge: *“they ... understand business, what makes it tick. It may also mean they have relationships, but most importantly they understand what someone needs. Now, I’ve done this in previous companies ... but used their domain knowledge”*. This again illustrates that critical knowledge can be sourced from relevant business networks and/or partners: *“When Scott Chamberlain and I started chatting about this three years ago, Scott gave me, it was his idea, he was the one who came up with the original kernel of the idea, was to put their legal precedents online...”*. The team in India provided the technical knowledge for the project, while the prior knowledge of guiding the development process, as well as certain aspects of commercialising the software solution, came directly from the key decision-maker.

About two years after the acquisition of the company, the key decision maker discovered an unforeseen impediment to his business (see Figure 5.4). The management of the company in India turned out to be corrupt and conducted fraudulent activities. More specifically: *“the CEO and the CFO robbed the company and broke the law, on so many occasions it's not funny, in all sorts of areas, were responsible for identity theft, passport and fraudulent exchange irregularities, etc.”*. They had conducted this fraud over a period of two years; the management created false bank reconciliation statements that were sent to the board of the company each month and took part in other fraudulent activities.

The decision maker requested a full forensic audit of the company overseas on 19 December 2012 to review the extent of the fraudulent activity.

The fraud at the management level caused significant disruption to the operations of the firm. Given the situation, some employees within Sterian volunteered to take no salary for three months to support the firm's operations. Sterian had difficulty meeting its financial commitments. The CFO of the company had not paid the rental of the office in India for about four months, which required the key decision maker to negotiate with the proprietor about meeting these obligations, as well as moving to a smaller office space. Nonetheless, the decision-maker believes that he received a significant degree of support from his employees and other individuals in India while dealing with the consequences of the fraudulent behaviour within his firm. Through this experience, the decision-maker learnt that while there is a general perception that corruption is endemic in India, entanglement with corruption depends on individuals involved and is not necessarily the norm.

Because of this experience, the decision-maker is now better able to operate in the business environment of India, despite perceptions of a generally high degree of corruption, according to Transparency International's Corruption Perception Index. This is best illustrated with the following quote: *"I jokingly say that corruption is endemic, and it's not endemic, I have found two people, in the whole time I've been in India, who've been corrupt, and I've lived in India before, many years ago, I had worked in India before that, and I've now owned a business there for years ... It gets down to the individuals. You will find corruption, I mean you only have to look at NSW."* The decision-maker strongly believes that a firm can overcome in-country corruption by building a strong relationship with a reliable business partner overseas: *"we hoped that the other people would be doing the right thing, so it gets down to relationships again"*. This again reinforces the strong role of relevant business networks and trust during the internationalisation process.

The decision maker, contrary to the advice provided by external accountants in early 2013, decided not to close the business at the time. It took almost one year to investigate the full extent of the fraudulent activity, collect relevant evidence and file the findings to the local authorities. By the end of 2013, Sterian delivered the first version of the online application to Chamberlains. Furthermore, the company also had two significant projects in the pipeline for providing software solutions. One of these

projects is for a customer in Australia, while the other will be delivered to a customer overseas.

Reflecting on this experience, the decision-maker noted: *“... if I could turn back time, what would I have done then? There's actually not a lot, there's actually very, very little. Probably spend more time there, probably if I look back on it and things that I could have improved upon, nothing major, that's for sure, most of it is incremental changes, so a little more time there, and again I find it difficult not to answer what would I have done differently, knowing what I have now, because having gone through such a catastrophic change, it colours my – I wouldn't have trusted my CEO as much. But again that's an individual that did that. If I was going to India again today, what would I do? Again I would probably do exactly what I'm doing.”* Overall, the decision maker learned that it is important to place even more effort in establishing trust throughout the internationalisation process. It is interesting that regardless of the strong focus of the decision maker on relationship building as an integral part of the internationalisation process, Sterian still suffered from a failure to build a trusting relationship with the former CFO and CEO of the acquired firm. It is also interesting that throughout the interview, the decision maker did not comment as to whether or not he tried to establish and test trust prior to the acquisition of the firm in India. The importance of trust is evident from several case studies as well as the sequence analysis of the interview narratives (see Section 5.3).

The key decision-maker of Sterian also mentored Canberra-based businesses on exporting government solutions to the US during 2012-13. As part of this initiative, the decision-maker developed an export-readiness matrix and a set of educational modules to assist local businesses with exporting solutions and services to the US. The mentoring work was provided as part of the Centre for Exporting Government Solutions (CEGS) initiative by the ACT Government in 2013. Mentoring local businesses helped the decision-maker to reflect on his prior knowledge and assess aspects that are essential for a successful internationalisation strategy.

The market readiness matrix has a strong focus on in-market sector experience, relationships, partners and alliances, in-market experience of delivering/supporting service solutions, as well as hands-on familiarity with sector-specific trends. The key decision-maker derived the criteria for assessing “export readiness” from his own prior experience. He wrote 12 modules for the ACT Government that provide information

on the difficulties he experienced when undergoing the internationalisation process, details on how he resolved these issues as well as strategies that other companies adopted under a similar situation. Each module contains a set of tasks/actions that businesses need to complete, as part of the process of learning about foreign market opportunities.

Throughout his involvement in mentoring Canberra-based small and medium sized enterprises (SMEs), the key decision-maker learned that administering a self-assessment of experience, knowledge and capabilities is often unreliable. Business owners who conducted market-readiness assessments did not necessarily provide sufficient evidence to substantiate their claims. Furthermore, the perception of “preparedness for export” varied over time depending on new knowledge and information. Throughout the mentoring sessions, the key decision-maker stimulated the mentees to “*go out and do things ... once you are at a point in your maturity*”.

The key decision-maker believes that a successful internationalisation attempt requires touching on several modes of learning. As part of the mentoring under the CEGS program, the decision-maker placed a lot of attention on activities associated with the accommodating learning style (see Section 2.5.1). This is best explained with the following quote: “*nothing, nothing beats getting your boots dirty on the streets of whichever city, whichever country that – you can't, what I call desk research is critical, but all of the desk research that you do, and it relates to relationships ...*”. The learning modules designed by the key decision-maker prioritise active experimentation and concrete experience: “*because the task books are actually to go out and do things, you don't just sit there. ... for example, links to some of the industry associations in a particular country, and you actually go and join them. So we work out what industry association you should be in, and we go and we actually join. So then you ask them questions, okay so what have you learned from it? Who are your major competitors? Who's complementary to you, etcetera.*” This learning process reflects the internationalisation pattern observed in other case studies, where key decision-makers rely on business networks to source the required experiential knowledge and information.

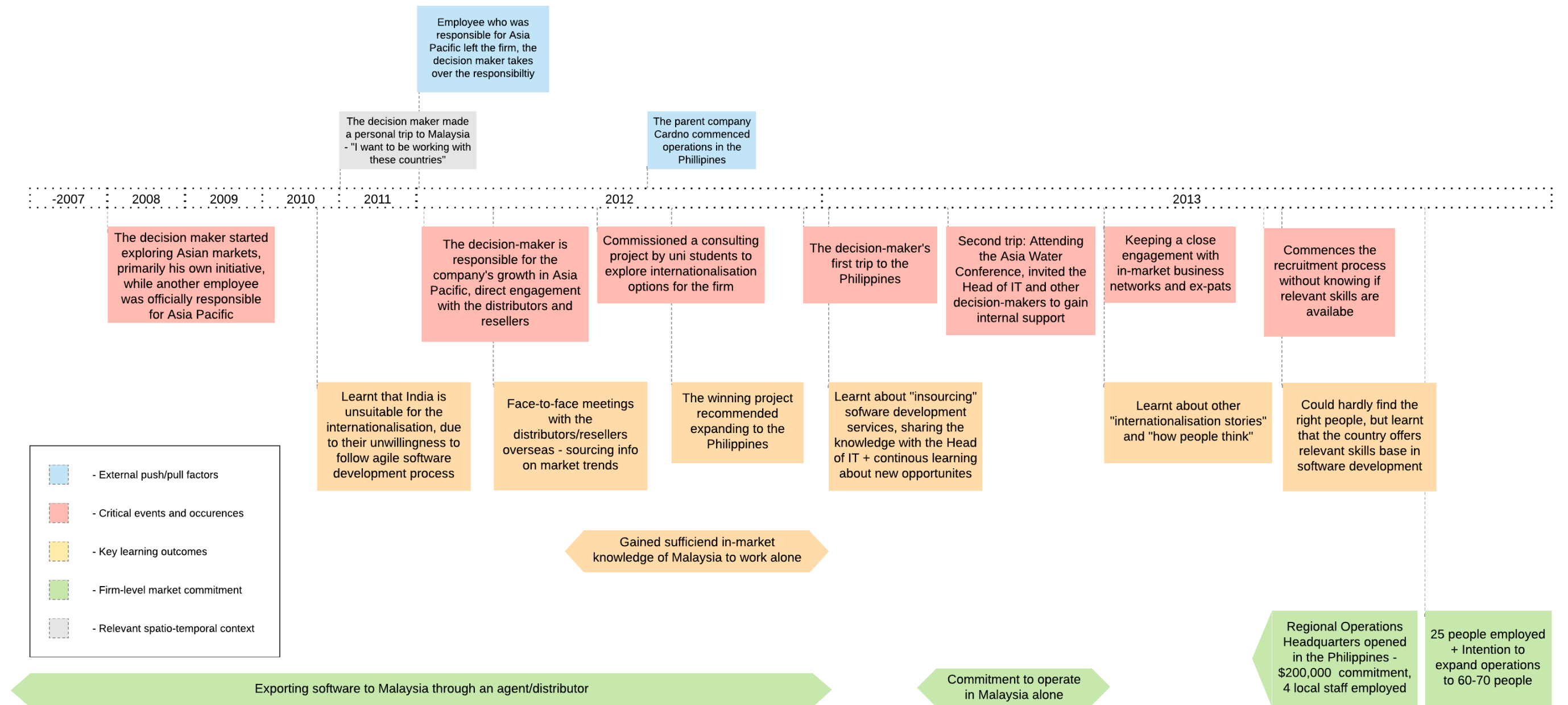
The importance of experiential learning as part of the internationalisation process of Sterian is best illustrated by the following advice that the decision-maker provided to a Canberra-based institution targeting the delivery of education services to India: “*I said*

... the thing you have to do, is when you arrive at customs and immigration, you have to remove all preconceived notions, because the biggest block, and the biggest error most people make, and it's not just for India, it's for everywhere, is that they set up so many preconceived notions of what's going to happen, what to expect, what they're going to experience, the best way to handle that, and the sustainable way, is ... just remove and preconceived notions, and just experience it. When you're back on the plane leaving, write it all down, because that's when you are open to the greatest potential, by closing your thinking you reduce significantly the identifying opportunities, identifying who's who, you just go with it. You don't have to agree that everything is right, you may think that certain things are wrong, but remove the preconceived notions ... That's the key." This way of summarising the learning experience of the Sterian company reveals that experiential learning as part of the internationalisation process requires decision makers to draw on an accumulation of concrete experiences and develop an ability to reflect on those experiences, which signifies the necessity of touching at least several bases of the Experiential Learning Theory cycle.

5.2.5 Case history 5: XP Solutions

The key decision maker of XP Solutions was responsible for the internationalisation of the firm in the Philippines. He joined the organisation in 1994 as a software engineer and spent almost his entire career in the same organisation, which is not the case for other case studies in this research project. Therefore, the decision maker developed his experiential knowledge primarily within the current organisation. The other main sources of experiential knowledge were the decision-maker's personal networks and interests. Prior to the merger of XP Solutions with the Cardno Group in 2001, the firm was operating independently. The operational activities within the firm still have a high degree of independence from its parent Cardno. Therefore, the implementation of the internationalisation strategy was within the direct control of the key decision maker.

Figure 5.5: XP Solutions – the internationalisation history of the firm



The decision maker commented that XP Solutions was in the process of identifying internationalisation and foreign market opportunities as a matter of priority even before he joined the firm. The first major internationalisation attempt took place in 1990 when the firm began selling software to the US. Since then, the US has become the largest offshore market for XP Solutions. In 2008, Cardno acquired a company in the UK that now generates close to 50% of Cardno's consolidated revenue. The internationalisation into the Philippines in 2013 was a major attempt for XP Solutions to move its operations overseas. This case study reviews the process associated with the internationalisation into the Philippines and relevant experiential learning processes that enabled this to eventuate.

Prior to 2013, XP Solutions had a software distributor/reseller network in Asia. The company worked with a single distributor in Malaysia since 2003. In 2012, Cardno appointed the decision maker to work on foreign market entry for XP Solutions. Since then, the decision-maker held regular face-to-face meetings during which the agent provided updates on the recent trends in Malaysia. A key consideration in the process to establish operations in The Philippines was the opportunity to export services from there to Malaysia and/or Singapore. The decision-maker believes that using The Philippines as a hub for Southeast Asia is more cost-efficient than exporting these services from Australia. The decision maker feels that the firm already built enough credibility in Malaysia to sell their products directly in Southeast Asia: *"... because of our experience in Malaysia over the years I feel that we have enough credibility, enough branding awareness that we could leverage. At the same time, I'm not there to sort of destroy an existing practice* [referring to the existing export activities through an agent in Malaysia]." Even so, the decision maker was not ready to pursue internationalisation in the Philippines without relying on Cardno's in-market knowledge of The Philippines. This case study is a good example of an incremental internationalisation path of a firm.

The internationalisation to the Philippines offers significant cost saving opportunities and the firm is committed to downscale its operations in Australia. It will conduct most of the software development and client generation activities from the Philippines, while customer support functions and training will remain in Australia. The decision maker believes that the cost of developing the software and providing related services is the

main obstacle to the future growth of the firm. The decision maker did not consider The Philippines as a potential market for the services XP Solutions provides, primarily due to a lack of relevant knowledge. Initially, the decision-maker only viewed this as an opportunity to minimise software development costs: *“I know it was there, but that was just icing on the cake.”*

In 2008, the decision maker started exploring markets in Asia because of his own personal interest of the opportunities present in these countries. At that time, a different person within XP Solutions was responsible for foreign market entry. In 2011, due to internal restructuring, the person responsible for Asia Pacific left the firm and the key decision maker became responsible for foreign market operations. It is only since 2012 that the decision maker started to become actively engaged with distributors overseas, particularly in the US, Canada and Malaysia. The decision maker was committed to work in Asia, which is evident from the following quote: *“I’ve been dying to work in Asia for a while ... I’ve been thinking of in fact leaving this company and going and doing something in Asia.”* Similarly, when the decision maker commented on his trip to Malaysia in 2011 - he stated: *“I came back and I thought ‘I want to be working in these countries’ [laughs].”*

The key decision maker considered India as a potential location for software development. He travelled to India to explore options, but developed the view that it is not a suitable location for XP Solutions. He based the view largely on advice obtained through his personal networks after the trip, which was crucial in deciding not to pursue options in India further. This shows that visiting a country does not necessarily mean that critical and/or relevant information is sourced as a result of the trip. The decision maker elaborated: *“you have to be very prescriptive of what you want delivered, and you hear that over and over again from a lot of companies that have gone there and actually been burnt ... I saw my friends who have ... actually taken projects out to India and had so much issues with the delivery of the projects”.*

XP Solutions is predominantly involved in agile software development methodology, which requires adaptive planning, continuous improvement and self-organising, cross-functional teams. Based on the experience of other companies that worked with this methodology, most software developers in India are less familiar with this method. When reflecting on foreign market opportunities for XP Solutions, the decision maker

very often referred to “*hearing stories*” of other firms in a foreign market and the importance to ‘see and do’ things.

The decision maker stressed the importance of hands-on involvement and leadership to ensure a successful internationalisation. This argument can be illustrated with the following quote: “*A company can sort of say “we want this strategy going to this place” or whatever, but unless you have a champion driving something it’s never going to happen. Unless you have a champion driving and focusing on that ... otherwise it just will never be successful.*” In other words, this highlights that the success of the internationalisation process is very much dependent on the actions of an individual who is driving it rather than a variety of firm-level/organisational characteristics.

Given that the decision maker is the key driving force behind moving the company’s operations to the Philippines, he feels a great degree of responsibility for the internationalisation process. A point of interest is that the first five-day trip to the Philippines in early 2013 took place primarily for personal reasons. A group of people from his personal network, who had been setting up a hospitality business in the Philippines, pulled the decision maker into this trip. Initially he planned it as a personal trip: “*we had nothing to do with business when I decided to go there. It had everything to do with business while I was there*”. Nevertheless, the decision maker believes that the trip to the Philippines in January 2013 was critical for the future internationalisation of the firm: “*And honestly, if I didn’t make my first personal trip we wouldn’t be in Philippines today*”. The knowledge that the decision maker sourced during this trip played a significant role in the future internationalisation process of the firm.

The second trip to the Philippines took place in March 2013, where the decision maker attended the Water Asia conference. He sourced information about the conference from his personal network: “*I also met up with people that I know in my past over here, where I’d worked with engineers who worked for ADB, so... Asian Development Bank. They worked for us and now were working in ADB, so I caught up with them on a social level, ... — And then they told me about this conference that was happening in Manilla by ADB called “Water Asia” in March*”.

Prior to attending the conference in March 2013, the decision maker worked on ensuring that the president of XP Solutions and/or the Head of Information

Technology had a shared understanding of the internationalisation potential. The decision maker believed that Cardno Group is best at growing through acquisitions. However, “growing organically” is not as common: “...*they just don’t know, they just don’t want to take any risk. They just do not – Every time you put something in there they’ll cringe, because that’s not what they know.*” This quote reinforces the notion that knowledge plays a pivotal role in perceiving a foreign market opportunity.

Ensuring that other individuals within the parent company have a shared vision of the foreign market opportunity was an important step for the decision maker. He had to have support from Cardo in order to move operations to the Philippines and could not pursue this process on his own. He elaborated: “*I... knew that if I talked to him without him being in Philippines he will have this [negative] view. I needed to get him there, I needed him to meet people, I needed him to sort of see the people, see the level of what I’m talking about, so it was really crucial for him for me to get him out there. And it just happened... yeah. The conference was also a trigger point.*” This again illustrates that concrete experience and reflective observation learning modes play an important role in the internationalisation process.

The decision maker was successful in operationalising his internationalisation strategy, engaging with relevant people and sourcing the required knowledge to support the internationalisation process. Throughout the second visit, the decision maker explored whether the business environment was suitable to support broader operations of the firm: “*I was pencilling in not just Water Asia, I was really trying to sort of set up software developers, customer service people, technical writers, you know, you name it we can have it. The whole... product sort of whole cycle, we can find resources in Philippines. And then, yeah, I kept meeting people.*” When attending the conference, the decision maker engaged with a broad range of individuals to probe opportunities and source relevant knowledge. The key two things that the decision maker learnt from the trip were: 1. The IT infrastructure in The Philippines is suitable to support the operations of XP Solutions; 2. There are several businesses in Manila offering insourcing services (i.e. firms will subcontract software developers for XP Solutions), which will assist with the recruitment process at a later point.

More importantly, the internationalisation initiative received the needed support from the parent company Cardno. XP Solutions expanded its operations to The Philippines

in late 2012 (see Figure 5.5). The key decision maker believes that if Cardno did not have an existing infrastructure and knowledge of the Philippines, it is very unlikely that XP Solutions would have succeeded in relocating overseas. XP Solutions will utilise relevant information technology infrastructure that already supports Cardno's existing operations on the ground.

Cardno also supported the internationalisation of XP Solutions by providing critical in-market knowledge. The decision maker relied heavily on Cardno's business networks and people to source such relevant information. He explained this as follows: *"I don't know the Manila or Philippines labour laws. I don't know paying Philippine people, I don't know about going and hiring individuals. I mean, there's so many things I don't know that I have to rely on people."* While the decision maker agreed that a lot of this information might have been available in the public domain, it can be difficult to know where to start looking and understand exactly how it works. Throughout the internationalisation process, the decision maker relied on individuals at Cardno to brief him on relevant issues: *"mostly I've been briefed by the Cardno people ... so I haven't gone and go in and find literature and all that sort of stuff, I've taken Cardno sort of things. Like employment letters, you know, there's certain things you can put, you can't put."*

Similarly, the decision-maker perceived legal restrictions on foreign ownership of business and land in The Philippines as barriers, which he could overcome by exploiting the existing knowledge and operation processes implemented by Cardno. He explained the importance of having a reliable in-market partnership as follows: *"You've got to have locals ... I then was told that they were a 60/40 company and there was a lot of issues. In fact, when I went in there, all the staff in Cardno were actually employed by another group called Lomar. So Cardno didn't employ anybody. In fact there was about 15-odd people there."* Overall, XP Solutions did not have the required knowledge to proceed with the internationalisation in the Philippines alone. The decision maker would have had to partner with another organisation to source relevant knowledge. In this case, XP Solutions already had the parent company with relevant knowledge and capability on the ground.

Furthermore, an individual (Country Manager), who had run Cardno operations in the Philippines since 2012, mentored the decision maker. The same individual was also the President of Australia Philippines Business Council, an organisation that the decision

maker joined soon after travelling to the Philippines. The mentor provided relevant advice and “*reality check*” to the decision maker, especially in relation to prioritising in-market actions and opportunities. The decision maker raised the importance of operating in partnership with an organisation or individual who already has relevant experiential knowledge several times throughout the interview.

The decision maker believes that the success of any internationalisation process depends primarily on the ability of an individual to “*execute it*”, convince others that it is a viable strategy and make sure it works. Similarly, “*it is really important to be there [in the market]*” and there should be no expectation that other people will facilitate or assist with the process. Even so, the decision maker relied very much on the information sourced from other individuals. He had a strong preference for doing things through trial and error, and, if there were unforeseen obstacles or lack of information, he argued that these can be overcome by relying on other people. The following quote serves as an example: “*... to be honest I actually learned a lot by other people I meet and talk to. For example, so now I'm in Philippines, and on the weekends I play golf, so I play golf with a whole bunch of ex-patriates. So obviously when you're playing, I spend the whole day with them, so you talk with them – “what do you do?” “how do you do?” “how long have you been here?” “how have you been running the business?” – there's a wealth of experience there, and they're just too eager to tell you about everything. So it's been great learning for me in that respect. I've never gone to a classroom or learned from anything, but it's just out on the golf course or having a drink with someone or... you know?”* Through these personal engagements, the decision maker learned how other cases of firms internationalising their operations unfolded and how Filipino employees perceive working in a foreign-owned company.

As part of the learning process, the decision maker reflected on the advice and experience of other people who spent time operating in the market. For instance, experiencing a similar situation often reconfirmed the initial perceptions of the decision maker. This comment reveals this: “*I see snippets of it [what other people/business networks advice] ... and whatever they are telling me is spot on. So, I've just got to be aware of those things*”. A particular item of initial feedback that he received from contacts through the business network was that there were many software engineers in Manila. Nonetheless, the decision maker could hardly find the right people, which initially

contradicted the decision maker's perceptions – *“so then we started looking at different mechanisms, recruitment companies and all that sort of stuff”*. In all, after reviewing the recruitment processes the decision maker returned to the initial perception.

In October 2013, XP Solutions invested \$200,000 in establishing a regional headquarters in the Philippines (see Figure 5.5). The company also increased the number of people it employs to 25. Given the relatively short timeframe, this development shows a successful expansion of the firm's foreign market commitment, which is further supported by the ability of the decision maker to source relevant experiential knowledge, as the following quote underlines: *“Every time I go there's more opportunities ... Oh, people provide you with information about contacts about jobs. It's all about people in Asia. It's all about your connections – who knows somebody else who knows somebody, and before you know it ...”*. The critical role of business networks, not only in the internationalisation process, but also as a major factor impacting on experiential learning, is evident from reviewing the internationalisation path of XP Solutions. The decision maker believes that the firm will grow its in-market operations to 60-70 people and the organisation is already making arrangements to expand its office space utilised in The Philippines.

5.2.6 Case history 6: SYPAQ

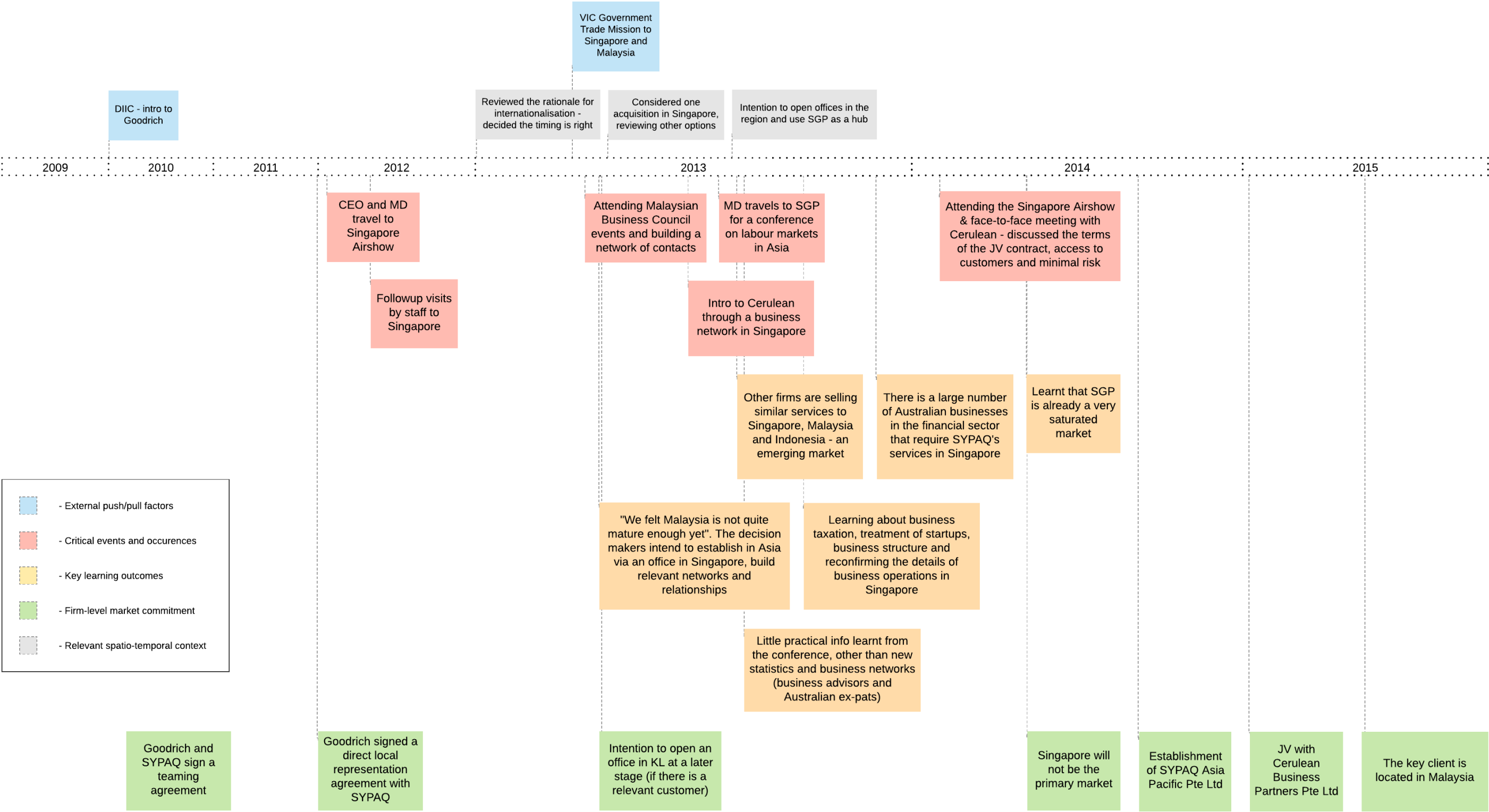
Prior to the incorporation of SYPAQ in 1992, the founder of the company spent 22 years in the Royal Australian Air Force (RAAF). Throughout his RAAF career, the founder dealt specifically with engineering-related tasks. This is the expertise that he brought to the new organisation. Most importantly, this expertise helped the key decision maker to accumulate networks of relevant business contacts in government and defence, as well as develop a profound understanding of this sector. This development assisted the key decision-maker in the development and in the internationalisation process of SYPAQ. The following comment bears witness: *“I was in the airforce for 22 years so my background is defence, so I understand and I'm also an engineer. ... I'm ex-airforce and I'm an engineer. So essentially if you look at SYPAQ we actually apply engineering discipline to customer's solutions basically. So that certainly has been, I guess, a determinant and it certainly has assisted us in terms of knowing the right people and connecting into that network.”*

After the incorporation of SYPAQ, there was no time or opportunity to consider the firm's internationalisation as the company was busy earning fees and running projects locally. Even so, in mid-1990s, the founder of the firm had an opportunity to assist another Australian firm with their business in China. Consequently, this experience in China helped the key decision maker to develop a better understanding of the suitability of this market for the professional services offered by SYPAQ: *"I've managed projects in China where they didn't understand why they needed to pay for project management, you know. They just said, you know, just give us more boxes and software and stuff like that, you know, why should we pay for project management. Well, without project management this doesn't happen without system design and testing, you know, it just doesn't happen. So that was in the mid-90's, so a very immature approach ..."*

It is important to highlight that, although this experience took place about 15 years before the first internationalisation attempt by SYPAQ, it is still relevant in the firm's decision-making process today. This is evident from the following comment, in which the key decision maker reflects on a more recent experience in Singapore: *"That's why Singapore is for us is the best place to launch because it's a relatively mature Asian economy, they understand the need for structured thinking, and project management and the fact that you can have a project schedule, so you can do a project schedule and you can parallel task. Well, when my experience with the Chinese is they actually didn't quite get that."*

It is clear that the key decision maker draws a direct comparison between his prior knowledge of Singapore and China. The decision-maker learnt specific knowledge of the attitudes to project management in China by observing how other individuals work: *"They would do things very serially and so everybody would work on that and when that was finished they'd start the next task, instead of saying, well you three guys you work on that, we'll work on that ... So instead of having three guys standing and watching the other three work, which is what the Chinese were doing then."* Figure 5.6 presents a summary of the key events that influenced experiential learning and foreign market commitment decisions of SYPAQ.

Figure 5.6: SYPAQ – the internationalisation history of the firm



Nevertheless, the key decision maker reasoned that the practices that he observed in mid-1990s in China might have changed or evolved. Most importantly, the key decision-maker is aware that he has no current knowledge of the Chinese attitudes to project management: *“...which is what the Chinese were doing then, I don’t know what they do now.”* The fact that this knowledge was formed as a result of a concrete experience and an application of the reflective observation learning mode (as per Kolb’s Experiential Learning Theory, see Section 2.5.1), makes this a more valuable evidence in the decision making process than the information sourced from other sources. The following comment illustrates this: *“I think it sticks a bit better, I think the lesson sticks. I have a fairly simple saying that I’d rather learn from someone else’s mistakes than my own, but when you learn from your own mistakes or your own experiences it certainly has a more lasting. Like I can relate that story to you, if I had have read it on the internet I probably wouldn’t even remember it, you know.”*

This case study will review how the decision-maker grasped and transformed relevant experience into knowledge. It will also review the fact that the key decision maker engaged in more than one learning style when drafting the internationalisation strategy for the firm. The learning experience in China is a good example of how specific knowledge is dormant, waiting to be recollected by a relevant set of circumstances, which in this case was the firm’s internationalisation attempt in Singapore. Reflecting on the role of time in the internationalisation process of the firm, a relatively old experience can have a significant impact on the perceptions of opportunities in a specific foreign market. When asked whether his experience from the mid-1990s is still relevant today, the decision maker’s response was: *“No, exactly. So one thing that it taught me though was there’s probably not a lot of point in us trying to sell our sorts of services to the Chinese at their current level of maturity.”* Nonetheless, this old experience was still the key reason why SYPAQ would not consider expanding to China at the time of the interview.

SYPAQ used a five-year plan to guide its future development strategy. It is the only firm in the sample with a formal written document to guide its internationalisation strategy. The key individual who formed and reviewed the strategic plan is the founder of the company, and the same individual who contributed to this research. This

underlines that the study of the micro-foundations of experiential knowledge is well-served by focusing the analysis on decision-making at the level of individuals (i.e. how the founder decided to put a clause re internationalisation in the strategic plan), rather than the use of firm-level instruments for that purpose. In the case of SYPAQ, this is best explained with the following quote: *“As I said earlier, what drives you to do that [refers to international expansion] is usually something in your strategic plan or your view of the future that says, I want to do this. And it’s almost a natural then the thing that happens that you say, okay well we’ve got to do the things that it takes to do to get that result.”* In other words, the commitment to internationalisation and foreign markets is a result of the decision-maker’s own vision – *“I want to do this”*.

Further, the five-year plan provides very little detail on the actual internationalisation strategy. SYPAQ’s five-year plan prescribed the following rationale for the firm’s commitment to the internationalisation process:

“In order to address the constraints associated with the limited Australian market, establishment of off-shore operations will be undertaken and will be focused on the Asia Pacific region; however, other locations may be considered on an opportunistic basis.”

(Excerpt from the business plan provided by SYPAQ)

It is clear that both the implementation of the strategic plan and the initial idea to internationalise operations are a direct result of the key decision maker’s prior work experience. This is also evident from the following comment: *“So I tend to have that role of being the strategic thinker and strategic person who lays out the strategic view of things.”*

One of SYPAQ’s main internationalisation-related achievements is its teaming and representation agreement with Goodrich Corporation. This business partnership with Goodrich developed over a minimum of two years and was a result of the introduction made by the Defence Industry Innovation Centre (DIIC) (see Figure 5.6). SYPAQ’s initial introduction by DIIC to Goodrich in 2010 was as result of its prior engagement in relevant business networks: *“...we put ourselves out there as an Australian owned base company that’s interested in partnering with technology providers and becoming the representative in Australia for that technology. And so we did that ... through Victorian government and Federal government ... our partnership with Goodrich started because*

somebody from the Federal Department ... said, "Look there's a company in the UK interested in talking to Australian companies, would you be interested?" So we met with (them)."

Thus, relevant business networks facilitated SYPAQ's access to foreign company Goodrich, which was looking for an Australian partner firm to market its technology in Australia. The introduction to Goodrich was also an important factor in the internationalisation process that Goodrich in turn pursued, because it had very limited exposure to foreign markets until that moment.

In order to pursue its internationalisation process, SYPAQ had to secure access not only to an overseas market with potential customers, but also to suppliers overseas. SYPAQ delivers the technologies developed in Australia, the US and Europe to customers in Southeast Asia. SYPAQ also sells the technologies supplied from foreign markets in Australia. The key decision maker explained this as follows: *"Australia, and New Zealand, and Southeast Asia ... – that's our selling market, but ... part of our objective is to also introduce technologies either developed here or in Europe, and US and other places into the markets we're selling into. ... we've partnered with UTC, was Goodrich, ... their technology comes out of -- one part of it comes out of the UK, and ... the specific technology we're dealing with, comes out of the USA. So we do go to the Farnborough Airshow that might be where we met."*

The proactive steps to expand SYPAQ's operations to Southeast Asia started in 2012, when the CEO and Managing Director of SYPAQ, who were both interviewed for the purposes of this research project, attended the Singapore Airshow: *"...we have decided that the time was right. We went to the 2012 Singapore Airshow – sort of the starting point"*. The Singapore Airshow is a major regional exposition of military capabilities as well as defence-related services in Southeast Asia. By attending the exposition in Singapore, the key decision makers *"certainly got a feel for the economy and what's happening there and where we might fit into that"*. Other staff from the company later followed up on this initial visit.

As a result of the groundwork conducted in Singapore around the Airshow Exposition, SYPAQ began considering various acquisition options in 2013 (see Figure 5.6). In July 2013, SYPAQ participated in a trade mission to Singapore and Malaysia organised by the State Government of Victoria. At that point, SYPAQ still did not make a final

decision as to the exact location in Southeast Asia for their international expansion. The Managing Director of SYPAQ believes that it was a better decision to travel as part of the government trade mission rather than alone due to the potential exposure to relevant business networks. This is evident from the following commend by the CEO: *“we thought we will give our best opportunity to start connecting with businesses in Singapore and Malaysia. At that point we really haven’t made a decision at where we were going to start our entry point into Asia. Whether it will be through Malaysia, Singapore or elsewhere. We thought that the government trade mission, which was to a number of ASEAN countries would be a good place to start.”*

Most importantly, participation in the trade mission was an event that led to specific learning and internationalisation outcomes. The founder of SYPAQ reflected on his experience and the related outcomes as follows: *“We thought that if we go with a like-minded company, from the government scene. That way we could learn a little more than we would if we just went under our own scheme just for a few days. That program has helped us to learn a lot more and at the end of our trip apart from anything else we uncovered, we realised that to establish ourselves in Asia for the company of our work, do it via an office in Singapore – as a starting point. We created a few networks and personal, professional relationships that we now starting to grow and expand a little bit.”*

To expand on this further, it may be helpful to uncover the sequence of events that took place as a result from the trade mission as well as the specific learning and internationalisation related outcomes it generated. While the trade mission took place in July 2013, the final decision to select Singapore as the best-suited location for running a wholly owned subsidiary, was only made by the end of 2013. Therefore, it took at least 6 months to finalise the decision on the internationalisation path of SYPAQ. During this period, there were four significant events that led to six learning outcomes.

As part of the trade mission, the decision-maker attended events organised by the Australia Malaysia Business Council and built a network of business contacts overseas. In parallel, the founder of the firm was also building a relevant network in Australia. As a result of this experience, the key decision maker discarded the option of a significant market commitment to Malaysia: *“basically because we just felt Malaysia wasn’t quite*

mature enough yet, and it's still got this air of you've got to be connected into some kind of government network to actually get favours, and I thought no I don't think I want to do that."

The following quote describes how the key decision maker rationalised this conclusion at the time: *"Well, in this case we sort of learn it by talking to Aussies that have done business there or doing business there that, you know, it's when people say look it's just part of doing business. You know, when you give someone, if you have an agent there and he says, and you know the agent's hourly rate is \$20, \$50 an hour or something like that and all of a sudden he says, "Can you give me \$5,000 bucks and I'll get this done." So, you know, this doesn't sound right, you know. Sounds like he's going to give someone some money or more than one person some money to get it done. And when you hear the term, oh look it's just part of doing business, well you think yeah it might be, but we can't go there, we just won't."* Therefore, the key decision maker, through relevant business networks, became aware of the specific situation when an agent asked for a non-formal "fee". The decision maker interpreted this instance as an example of corrupt practices within the country, which now forms the basis of his accumulated experiences in relation to Malaysia. The decision maker developed his stock of knowledge on the basis of the shared experiences and understanding among the group of Australians who work and/or worked in Malaysia.

Shortly after the learning experiences in relation to Malaysia, SYPAQ started considering various acquisition options in Singapore. Overall, SYPAQ considered three companies for potential acquisition. At the time when SYPAQ probed market opportunities in Malaysia, there were no suitable acquisition options in Singapore. SYPAQ decided that it would only open an office in Malaysia if it had a relevant customer there.

The key outcome of these learning experiences, was the unwillingness of the key decision maker to undergo a significant degree of foreign market commitment in Malaysia: *"... but even the Malaysians and the Indonesians will say, if they say okay well where are you based? If you said to them, oh we've got an office in Singapore, they find that as yes you're committed to the Asian market. ...We feel comfortable in Singapore, we don't quite have that level of comfort with Malaysia."*

The underlying reason for SYPAQ to seek an acquisition in Singapore as its entry mode was to learn from the acquired partner and accelerate its in-market development. The

key decision maker provided this reasoning on several occasions throughout the initial and follow-up interviews: *“I think that it’s the way that the business is done there ... in terms of ... when you are moving into a new market whether it is in Australia or locally not. The biggest part of that is understanding who to trust and who not to trust. That comes from the information, which you can then process yourself ... joining all the dots and the right answer is this is the way to go and this is how we go there. I think having someone who understands the landscape in Singapore will expedite our ability to move forward. That means that we won’t be as hesitant ... can we actually trust this deal? ... do we know enough about the way Singapore clients engage their clients? That will actually expedite our ability to move forward and doing business. That is one aspect of it.”* Essentially, the acquisition strategy is intended to accelerate the internationalisation process of SYPAQ in Singapore – primarily due to the specific knowledge and understanding of the market that it will deliver.

The third acquisition option considered by SYPAQ in Singapore was Cerulean Business Partners Pte Ltd. The introduction of Cerulean and SYPAQ took place in August 2013 and was facilitated by *“someone in our network who’s an ex-pat Australian working in Singapore”*. This person is also a close friend of the CEO of SYPAQ²³.

While SYPAQ considered other acquisition options, the example of SYPAQ and Cerulean negotiating acquisition again highlights the importance of business networks in the learning process that influences the internationalisation process of firms. Moreover, access to relevant business networks can have a greater significance for specific industry sectors, which is evident from the following quote: *“In a business like ours, you know ... Networks is everything ...”*

SYPAQ, unlike the case of Recruitment Systems, studied Singaporean tax legislation extensively prior to setting up a joint venture with Cerulean. It developed an initial understanding of the tax system by studying publically available sources in Australia. Subsequently, SYPAQ consulted with tax advisors in Singapore to verify their

²³ In this case analysis the primary interviewee was the founder of the company, who is currently holding the position of Managing Director. The Chief Executive Officer of SYPAQ is the son of the founder, who was also interviewed as part of the data triangulation process.

understanding and to seek knowledge on the implementation of the tax legislation. Furthermore, the tax advisers were surprised by the level of knowledge demonstrated by SYPAQ: *“We learnt the process on how to set up the business there at home ... We learnt about the start-up tax concessions, IT type concessions, other concessions ... We source the information we need. ... to me it was more of a confirmation of how the laws are actually applied more than what the laws are because I’d already researched what the laws are. And they seemed surprised by how much I knew.”*

In November 2013, the Managing Director of SYPAQ travelled to Singapore to attend a Conference on labour markets in Asia. The knowledge gained at the Conference was of minimal practical value: *“I didn’t learn a lot from that conference apart from at the end establishing a few networks and learning a few stats.”* Even so, as part of this trip other business meetings took and were beneficial to the firm’s internationalisation in Singapore. The Managing Director of SYPAQ made the following statement in the follow up interview: *“meetings aligned around that conference were quite useful and led to some ongoing business discussions and establishment of our Singapore presence in not so long future.”*

The Managing Director of SYPAQ met with the founder of Cerulean face-to-face in February 2014, as part of SYPAQ’s attendance of the Singapore Airshow (see Figure 5.6). During the meeting, the pair discussed the specific details of the possible joint-venture contract. More specifically, they discussed the potential client base and clarified what aspects of the business will transfer into the joint venture. As a result of that discussion, SYPAQ developed a greater level of trust in the future partnership. This also assisted the firm with minimising the risks it perceived were associated with the internationalisation process: *“Can we work together with this chap? And, can we make a success of it? This gives us a full on purpose to go to ahead, as opposed to a maybe. And someone who knows the business in Singapore and Asia region ... and is on the ground there. This certainly reduces our risk considerably.”*

SYPAQ described the critical knowledge that the firm intends to gain from Cerulean in order to accelerate the internationalisation process as follows: *“Having someone in Singapore that has this ability to engage with the client. He has one client I think in Malaysia. He understands how those clients view the value prospect of professional services. Also, he has a*

level of trust that has been developed there. So, that is the basis on which we believe a JV in Singapore is a good way to go.”

The SYPAQ’s understanding of the market for the services that they intended to provide in Asia was very much reliant on the information supplied by the joint-venture partner as well as other business networks. Two months after the initial interview, the key decision maker learned through the joint venture with Cerulean that Singapore should not be the primary market for the firm. Most importantly, this was new to SYPAQ: *“...we should focus on the new maturing markets – such as the Vietnam, Myanmar... They provide a reliable source of technical and qualified labour. This is the knowledge that we gained from our JV partner. Singapore should not be the primary market – I was actually quite surprised to hear that. The market in Singapore is already quite saturated in terms of what we want to do.”*

The key decision-maker formed a perception about the joint venture partner, primarily on the basis of the general “*feel*” developed during the first face-to-face meeting. Essentially, his general impression was: *“It is at an individual, personal level. I felt... he has very ... He’s not a native Singaporean, he is from South Africa, he lived there for 9 years and has a good understanding, connected into the Singaporean way of life. At a personal level you sort of ... those judgements ... How do I put that? ... It’s not a clinical method that you use. Is this guy telling me the truth? You read body language; you get to know him ... I feel we can trust him from that perspective. In terms of whether this is the right person to deal with ... He actually has ... The expats that put us onto him have a glowing opinion of him. So, he ... from a business perspective is seen as quite reliable.”* This again shows that decisions related to company internationalisation can be subjective and based on a personal perceptions of foreign market opportunities and the associated risks.

From the description above it is clear that the key decision maker used various strategies to verify the information and develop his own understanding of foreign business environments. This also illustrates the complexity of decision making in the internationalisation process and the fact that business networks can act as a source of valuable knowledge. SYPAQ established a wholly owned subsidiary before the joint venture, which is more of a technical detail as the commitment to form the partnership was decided in early 2014. A follow-up interview of SYPAQ in early 2015 revealed that

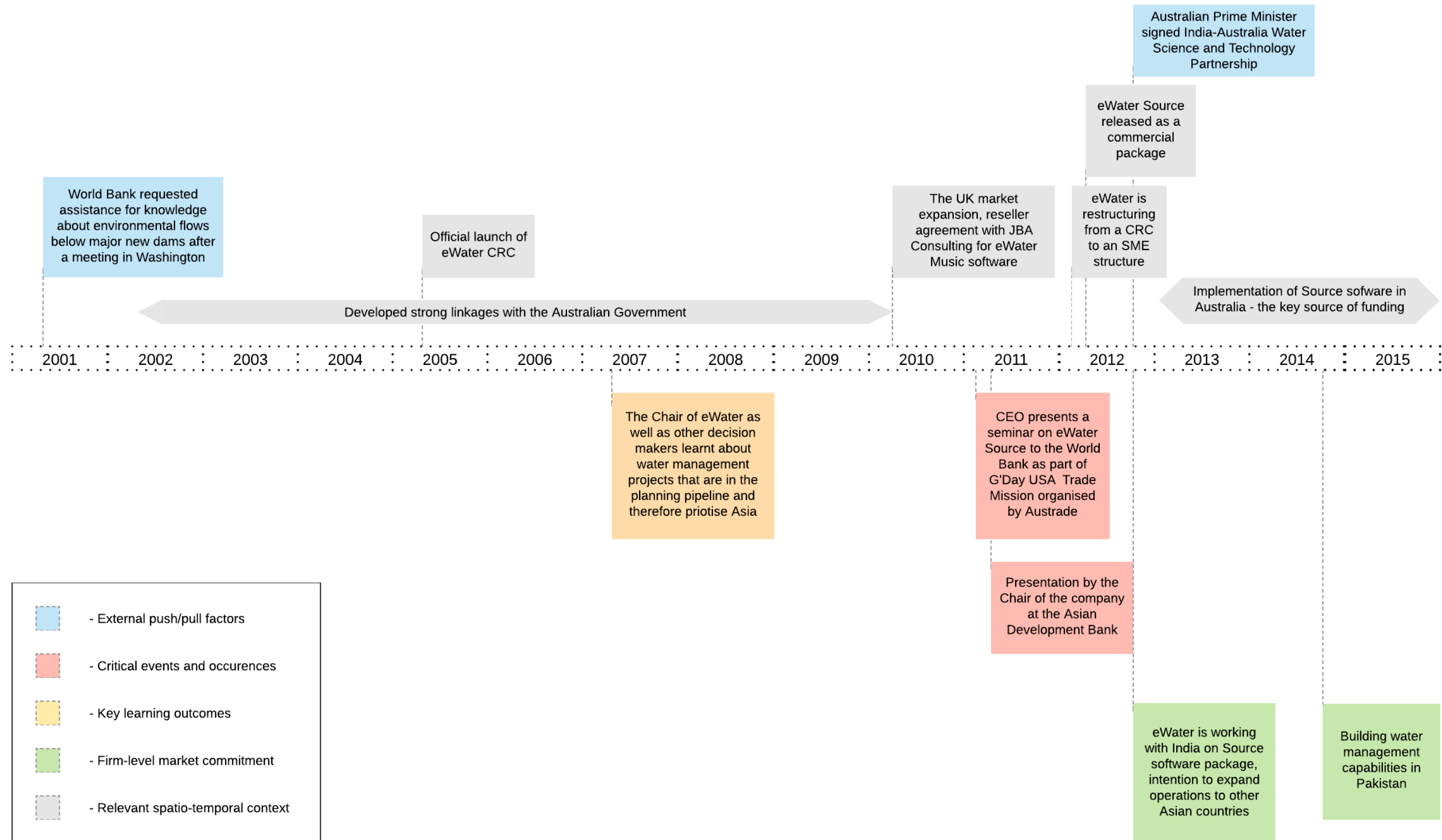
the company is now primarily focused on servicing a client in Malaysia. This is the result of the prior work with the joint-venture partner in Singapore.

5.2.7 Case history 7: eWater

eWater Ltd is a new organisation, formed in 2009 as a result of several Cooperative Research Centre (CRC) projects that took place since 1993. The CRC projects focused on researching and managing water resources in Australia and involved collaboration between several research institutions and government agencies, including the Bureau of Meteorology, Monash University, CSIRO Land and Water, Australian National University, Brisbane City Council, Department of Sustainability and Environment as well as other organisations. The water modelling products that are now commercialised by eWater, were built on the knowledge and development that goes back more than 20 years. Similarly, the CRC received a strong funding stream during this period to develop its current capabilities. The sector-specific expertise that eWater relied upon, prior to the launch of the commercial arm, was among the best in the country.

Figure 5.7 provides a timeline of the key events and learning processes that influenced the internationalisation process of eWater. The chart plots all issues discussed as part of this case study analysis on the timeline to provide a better understanding of aspects that influenced foreign market of the firm.

Figure 5.7: eWater – the internationalisation history of the firm



This case differs from other cases in this research project, because eWater functioned as an SME only for a year since 2013, which is one year between the establishment and the interview. Similarly, the core of the company's service offering was developed during 1992-2012 as part of the CRC. The commercial version of eWater Source was released around 2012. Since then, the company underwent a transformation to become an SME. Accessing foreign markets is important for the company as they may allow it to build an additional revenue stream, as well as share knowledge on water management with other countries at a fee. The Managing Director believes that access to water can become a source of conflict in some regions. During the past 10-15 years, international organisations such as the Asia Development Bank, the World Bank and the International Monetary Fund have identified this as a potential risk, which is one of the reasons why currently there is a sizeable international interest in the services offered by eWater.

The Deputy Chief Executive Officer and the CEO, who are the key decision-makers on issues related to the internationalisation of the company, had over 10 years involvement with the firm. Similarly, the key decision-makers have over 25 years of experience working in the field of water management. The interviewee (Managing Director) described the key decision makers as follows: *"both of them are engineers ... long experience in senior positions, and contacts and networks"*.

The Chief Executive has been involved with eWater since 1993, as part of his work for CSIRO Land & Water who were a partner in the CRC project. This shows that the decision maker would have had exposure to the type of services provided by eWater even prior to formally joining the organisation in 2005. The Deputy CEO spent less time with the firm, but has extensive prior experience working in the industry as part of another organisation where he also learned about foreign markets for the company's products. The interviewee (Managing Director) commented that the Deputy CEO has a lot of international experience, which he gained as part of his work for an international engineering company. Similarly, the Chief Executive mentors the MD and rest of the staff on internationalisation-related issues. It was not possible to access the two primary decision makers as part of this research project. Instead, the case analysis is based on the information provided by the Managing Director and a Software Developer at eWater who delivered the services on behalf of the company overseas.

This case study will focus on the experiential learning processes that assisted with the internationalisation of the firm in India in 2012 (see Figure 5.7). eWater delivers its services overseas by providing the software package, training and consulting services. eWater delivers the services offshore without a distributor or partner, but in close collaboration with the Australian and Indian governments. As discussed in Chapter 4, this case study will focus primarily on the delivery of eWater Source service package, which remains the focus for the firm's operations. The operations of eWater are primarily funded domestically with A\$7 million allocated by the National Water Commission for the implementation of the software service during the first three years. Key decision makers expect that Source will become a standard in Australia within the next 5-10 years. Effectively, the key decision makers believe that Source will be used as the new National Hydrological Modelling Platform in Australia.

The key event that contributed to the delivery of eWater Source in India was the signature of the India-Australia Water Science and Technology Partnership in October 2012. This was the most significant foreign market opportunity for eWater at the time. Prior to that, the company signed a reseller agreement with JBA Consulting for eWater Music software. As such, the internationalisation experience of eWater at the firm level is relatively minimal.

The Managing Director of eWater commented that the linkages to relevant government organisations played a crucial role in securing the market opportunity in India. The strong reliance on government institutions throughout the internationalisation process is evident from the following quote: *"this [our product and service] is different in the sense that it comes through government."* The key reason for the strong focus of the firm on government programs and initiatives is the fact that most developing countries are primarily concerned about the hydraulics of water, especially during the construction of large infrastructure projects. Private companies and engineering organisations will monitor water quality requirements only if governments set such requirements. Since water management, which is the capability that Source modelling service provides, is initiated at the government level, it is important for eWater to access relevant information about where the potential foreign markets are located.

The Managing Director believes that it is crucial to have good experiential knowledge of a foreign market and that this knowledge is primarily sourced through in-market

business networks and people. The Managing Director stressed that some of that a firm can only gain such knowledge through in-market/local presence, especially for the type of service that is offered by eWater. The following quote best illustrates this argument: *"I think the nature of the water industry is there's an element to local in every country so if you want to sell a product, you have to have a local presence. And people have got to contact and stuff, because utilities go with the people and the knowledge."* This statement highlights the importance of concrete experience and the need to access individuals who already possess relevant experiential knowledge (see Section 2.5.1 for the explanation of the ELT).

Since its inception as a CRC, eWater has embedded itself in a network of government institutions, which assisted it with building relevant networks and knowledge. AusAID programs played an important role in the internationalisation process of the firm, which the following quote elaborates: *"there are advantages of being through – Australian government, like AusAID, which is now defunct, effectively. There are advantages, especially in the early strategic stages ... our trusted relationship – you're coming with links to the government, so therefore, they're much easier [the Indian Government], trusting and opening up to you. So we make the most of those, down the line there'll be, no doubt, other opportunities we expect that those lengths won't be so important that the fact that you've had those with the Indian government ..."* In other words, the association with AusAID helped eWater to build trust with the Indian government, which was essential for a successful internationalisation attempt. eWater will build on the current relationship and the decision makers expect that this will lead to other foreign market opportunities in the future.

The key decision makers sourced critical knowledge about foreign market opportunities through continuous engagement with representatives of international organisations such as the World Bank, as well as other government and non-government institutions. The following quote elaborates this: *"There would have been a mixture ... our chairman, who does a lot of work with the World Bank and different groups, different government groups, so they knew this was coming down the pipeline."* Similarly, because eWater was embedded in a network of key industry leaders as part of the CRC, multiple individuals sourced critical information from a broad range of sources. This is explained as follows: *"a lot of those people were also involved in other programs with AusAID... our role with the Asian countries ... it wasn't just some people and then telling others, everybody was involved the whole way down through."* eWater recognised foreign market opportunities primarily on the basis of

the information it sourced through an extensive business network, which eWater inherited from previous CRC projects. This contributed to the firm's ability to recognise foreign market opportunities in a timely manner and pursue the internationalisation process overseas.

To elaborate further, the World Bank requested assistance for knowledge about environmental flows below major new dams after a meeting with eWater in Washington in 2001 (this is depicted as a key event on Figure 5.7). Throughout the engagement with the World Bank, the decision makers of eWater also learned about other water management projects that were of high importance. This directed eWater to focus its internationalisation strategy on countries such as India, Nepal, Pakistan, Vietnam and a number of others.

The key decision makers maintained a continuous engagement with the World Bank. As an example, eWater attended the G'Day USA trade mission, which was organised by Austrade in 2011. As part of the trade mission, the Chief Executive of eWater delivered a presentation to the World Bank on the functionality of the eWater Source water modelling software. The timing of this presentation shows that eWater prioritised informing the World Bank about their service offering. Organisations such as the World Bank, International Monetary Fund and the Asia Development Bank are the key providers of funding for water management projects. The firm considers it likely that close engagement with these international organisations will lead to specific foreign market opportunities at a later point in time.

The Managing Director believes that the business that eWater conducts is *"very much a relationship industry"*. eWater is in this respect similar to the other services firms in this research project, regardless of the industry sub-sector, as they all put a strong focus on business networks and trust as part of the internationalisation process. The interviewee believes that the existing high-level relationship with government institutions will lead to other foreign market opportunities. This is evident from the following comment: *"Then there will be other opportunities at a more local level ... and there'll also be opportunities for us ... then we see down the line that more direct, more just commercial relationships developing, from those relationships, from those spin off things, etc ..."*. This quote also demonstrates that business networks are built incrementally over time and that they serve as a source of

experiential knowledge, which enables a decision maker to recognise a foreign market opportunity.

Both interviewees admitted that they do not have sufficient knowledge to guide the internationalisation process of the firm. Experiential knowledge that is relevant to the internationalisation process of eWater rests primarily the Chief Executive and Deputy Chief Executive and it is shared with relevant employees through mentoring. To share his knowledge, the Chief Executive of eWater holds one-on-one sessions with employees that will be delivering projects in a foreign market. As part of the mentoring process, the effort is placed on the 'hands-on' learning style. A software developer, who had to deliver a training course for the firm in Vietnam, provided the following description of the learning process: *"we don't do much. On the international side in terms of knowledge transfer at the moment. ... Jeff - he is learning a lot, he's over there at the moment doing a training course with Robert ... I just came back from Vietnam, and I didn't need to know or know anything about what was going on until I needed to start on the project so then I got a crash course and went from there. ... [I learnt] a bit of the politics between Vietnam, Laos, Cambodia, the Chinese influence, and ..."*. The transfer of the experiential knowledge within eWater is not institutionalised – eWater very much relies on mentoring and learning by doing to disseminate relevant information internally.

Although eWater Ltd. was only established in 2012, the key decision makers developed relevant experiential knowledge through their past engagements and now share this information with other individuals within the firm. The company delivers its services in India without reliance on a local agent, however, it received considerable support from the Australian government without which it would have been difficult to access the market. In December 2014, eWater began delivering water management services in Pakistan on behalf of the Australian Government as part of Australia-Pakistan Water Co-Operation initiative (see Figure 5.7). This again demonstrates that this foreign market opportunity, which evolves as a result of a close business relationship with the relevant government and non-government institutions; similar to how the internationalisation process evolved in India.

5.3 The results of the sequence and discourse analysis

Section 3.4.4 provided a detailed explanation of the sequence analysis method and its application to study time-related phenomena or sequence data. This research project

utilises sequence analysis to identify patterns in interviews that were conducted as part of the seven case studies. This section focuses on the results obtained from the sequence and discourse analysis. The aim of the section is to identify the concepts that are most relevant to foreign market commitment and therefore outline a specific sequence of events that have a significant impact on the internationalisation process of firms.

Few studies use the sequence analysis method in management or international business (IB) research. To the extent of our knowledge there are only two studies in the management field that used this method (see Biemann and Datta, 2014), and, no studies in IB that applied this method to analyse narratives or interviews. Perhaps, the reluctance to use the sequence analysis method is due to the general lack of process-based research. As explained in Section 3.4.4, the main advantage of sequence analysis is its ability to capture the crucial time factor in explicit and implicit forms. Therefore, this method will benefit researchers that intend to study processes and mechanisms of the internationalisation.

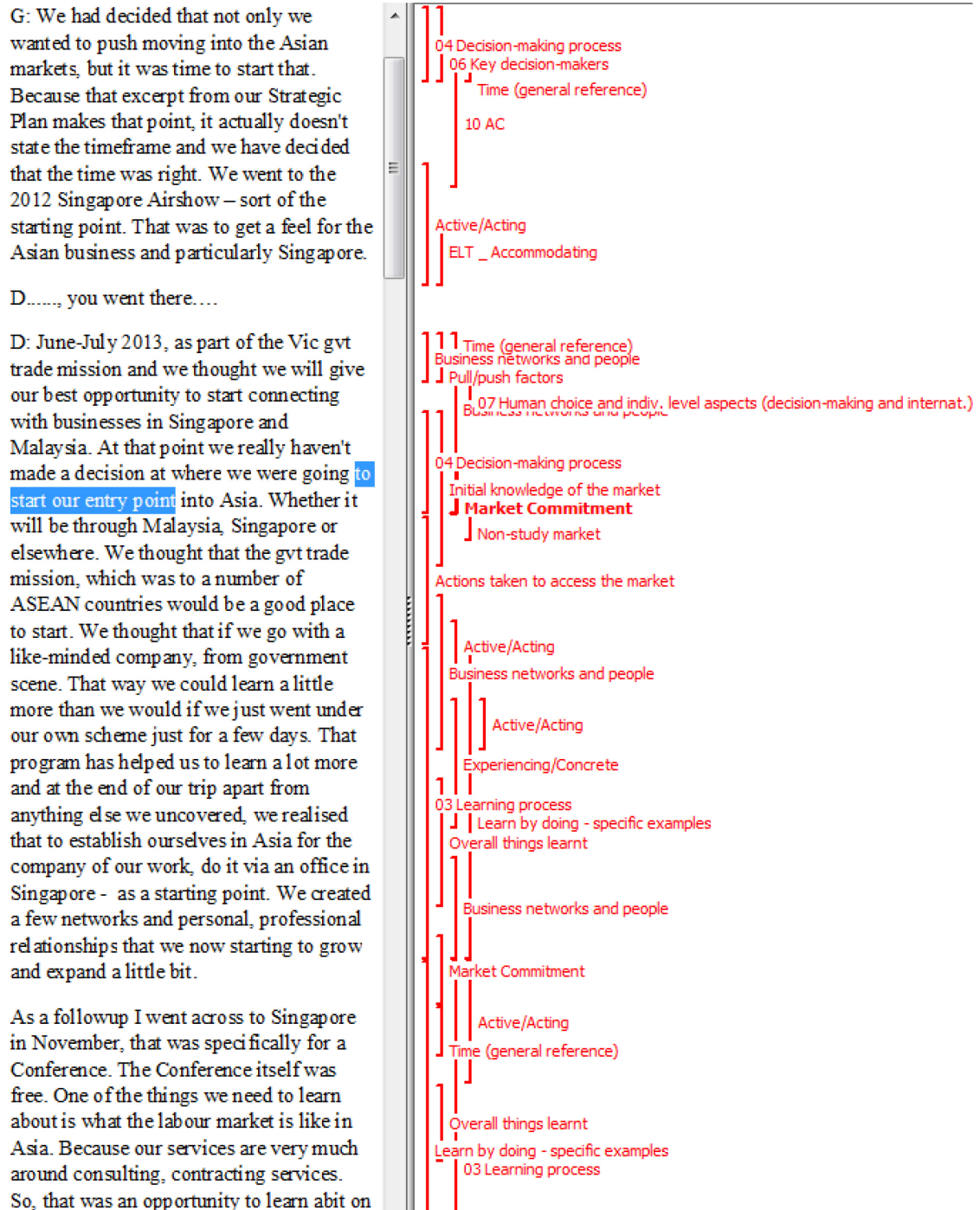
First, this section will explain the key concepts in relation to experiential learning and foreign market commitment that are evident from the sequence analysis of the narrative data. Specific coding examples will be discussed to demonstrate how certain concepts are naturally clustered within the interview narrative. The key aim is to explain why and how certain codes are clustered together before a summary of the overarching result. Second, hierarchical clustering diagrams (Figure 5.17, Figure 5.18) will be discussed to synthesise the patterns observed in the data. Lastly, this section concludes that throughout their narratives the decision-makers focused on explaining the processes they and their companies followed to overcome specific internationalisation barriers, which appeared more relevant than the case-specific barrier itself.

The sequence analysis was applied to a total of over 60,000 words of text and the data consists of 1,738 code frequencies across all 77 codes. This research project did not apply sequence analysis to each specific case as reviewing each case study in isolation will not provide sufficient data for statistical significance. Similarly, the length of the interviews varied across cases. Therefore, the sequence analysis was conducted on data for the total sample of firms.

5.3.1 Narrative data: examples of coded text and sequence overlaps

The purpose of this section is to demonstrate and explain how the clusters are naturally formed within the narrative. Effectively, this sets basis for a more complex discussion of the overall patterns observed across sequence data, which will be discussed at a later stage in Section 5.3.8. This section reflects on the process of experiential learning, relevant business networks and spatio-temporal context all in relation to foreign market commitment. This section will also provide specific examples that demonstrate how key decision-makers explain critical events in relation to the internationalisation process of their firm. Figure 5.8 provides an illustration of how codes cluster within an interview. Practically, the right column in Figure 5.8 presents a sequence of codes, which shows exactly how the codes appear and overlap within the timeframe of the interview. The left column is the interview narrative which was tagged with the corresponding codes.

Figure 5.8: Sequence analysis - coding example



It is important to demonstrate the process of coding the narrative, which preceded the sequence and discourse analysis. The first paragraph explains why the decision makers went to the 2012 Singapore Airshow: “*We had decided that not only we wanted to push moving into the Asian markets, but it was time to start that. Because that excerpt from our Strategic Plan makes that point, it actually doesn't state the timeframe and we have decided that the time was right. We went to the 2012 Singapore Airshow – sort of the starting point.*”

That was to get a feel for the Asian business and particularly Singapore. D-----, you went there....”

Within this paragraph the decision-makers raise the following aspects of the internationalisation decision-making process – active/acting learning mode, accommodating learning style, time and firm-level processes that guide the internationalisation (absorptive capacity). From this paragraph it is clear that there are only two key decision makers that influenced the internationalisation process. The decision makers explain that it was the right time to start internationalisation, hence, the corresponding text was coded as ‘Time (generic reference)’. Similarly, the reference to the Strategic Plan was coded as ‘10 AC’ (absorptive capacity or organisational-level instruments that guide the internationalisation process). Finally, the following text was coded as ‘Active/Acting’ learning mode and ‘ELT_Accommodating’ learning style: *“We went to the 2012 Singapore Airshow – sort of the starting point. That was to get a feel for the Asian business and particularly Singapore.”*

The second paragraph provides further explanation of the learning processes involved in the internationalisation process of firms: *“June-July 2013, as part of the Vic govt trade mission and we thought we will give our best opportunity to start connecting with businesses in Singapore and Malaysia. At that point we really haven't made a decision at where we were going to start our entry point into Asia. Whether it will be through Malaysia, Singapore or elsewhere. We thought that the govt trade mission, which was to a number of ASEAN countries would be a good place to start. We thought that if we go with a like-minded company, from government scene. That way we could learn a little more than we would if we just went under our own scheme just for a few days. That program has helped us to learn a lot more and at the end of our trip apart from anything else we uncovered, we realised that to establish ourselves in Asia for the company of our work, do it via an office in Singapore – as a starting point. We created a few networks and personal, professional relationships that we now starting to grow and expand a little bit.”*

Within this paragraph the decision maker refers to several important aspects that influenced his decision-making process. There is a direct reference to the time when the decision-maker travelled on the trade mission. Similarly, the decision-maker reflects that the purpose of the trade mission was to *“start connecting with the businesses in Singapore”*, which was coded as ‘Business networks and people’. The first sentence of the second

paragraph was also coded as push/pull factors that influenced the internationalisation of the firm. The decision-maker stated that “*we thought we will give our best opportunity*”, which was coded as ‘Human choice and individual-level aspects’. This quote shows that the decision-maker had to make a choice/judgement on the basis of his own opinion as to whether or not this was a good opportunity for accessing the foreign market.

The second and third sentences were coded as the initial knowledge of the market, as the decision-makers did not yet know where they were going to enter into Asia. The “*start our entry into Asia*” refers directly to foreign market commitment and this text was tagged with the corresponding code. Furthermore, the reference to Malaysia was tagged as ‘*Non-study market*’ as the case study is focused on the internationalisation process in Singapore.

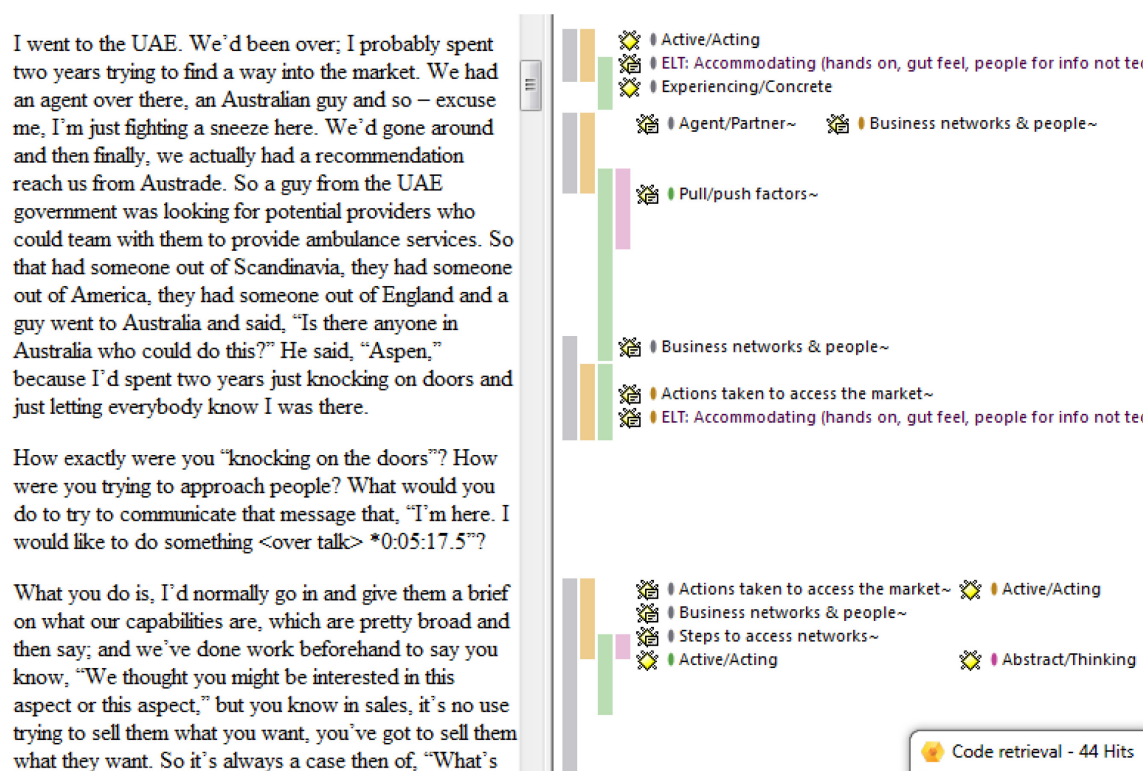
Now, the study deconstructs how specific learning processes were coded within the text. The reference to “*go with a like-minded company*” and “*went under our own scheme*” was coded as ‘Active/Acting learning’ mode, because it implies that the decision-makers “*...could learn a little more than we would if we just went under our own scheme just for a few days*” (see Chapter 2 for the explanation of active/acting learning). Similarly, this text was also coded as business networks and people, because the decision-makers were relying on the knowledge of individuals from another company. The sequence observed in this interview narrative is matching the key clusters identified in Section 5.3.8, which is where the study presents the concluding results of the hierarchical clustering and discourse analysis.

5.3.2 Experiential learning processes explained: accommodating learning style and foreign market commitment as part of the same leaf on the clustering dendrogram

First, accommodating learning style and relevant learning modes (i.e. active experimentation or ‘acting’, and concrete experience or ‘experiencing’) are clustered together with foreign market commitment, as demonstrated in Figure 5.17, Section 5.3.8 (see page 213). Moreover, frequent reference to intuition rather than logical analysis, which is also associated with the accommodating learning style, is evident from the fact that ‘Feel/Emotions’ code overlaps and also clustered with the ‘Market Commitment’ code. The importance of business networks in sourcing relevant experiential knowledge is also evident from the fact that it clusters on the same leaf on Figure 5.17 and Figure 5.18.

It is important to look at specific instances where the experiential learning processes are mentioned by the decision-makers as an enabler of foreign market commitment. As an example, Figure 5.9 below provides a narrative example where the key decision maker explains the processes involved in accessing the foreign market.

Figure 5.9: Experiential learning processes that enable foreign market commitment



The in-depth coding allows us to deconstruct what processes the key decision maker followed during the internationalisation attempt. The reference to "*I went to the UAE. We'd been over; I probably spent two years trying to find a way into the market.*" was coded as 'Active/Acting' learning mode, which is related to the accommodating learning style in accordance with the Experiential Learning Theory. The reference to an agent or partner was also tagged with the corresponding code: "*We had an agent over there, an Australian guy*".

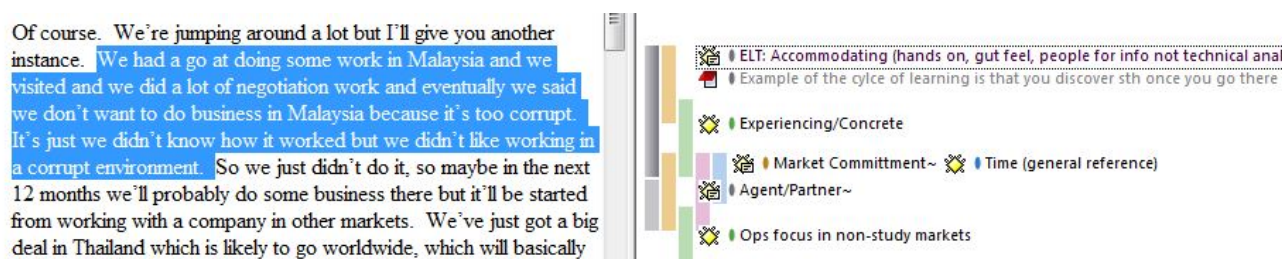
The next quote demonstrates that through active/acting learning style the decision-maker established a link with Austrade, which later led to a lead on the business opportunity: "*We'd gone around and then finally, we actually had a recommendation reach us from Austrade.*" Moreover, the context of situation and time worked in favour of the

foreign market commitment as the initial enquiry by the UAE Government representative to Austrade was imperative for Aspen Medical to pursue the internationalisation. This is evident from the following quote: *“So a guy from the UAE government was looking for potential providers who could team with them to provide ambulance services. So that had someone out of Scandinavia, they had someone out of America, they had someone out of England and a guy went to Australia and said, “Is there anyone in Australia who could do this?””* This text was coded as ‘Pull/push factors’, which directly relates to the specific situational context that assisted with the market commitment.

Most importantly, in order to secure the lead from Austrade and/or other relevant business networks, the decision-maker spent 2 years actively engaging in the market. The following quote demonstrates how active in-market engagement and accommodating learning allowed the decision-maker to learn about the market opportunity through the established business network: *“He [referring to the Austrade employee] said, “Aspen,” because I’d spent two years just knocking on doors and just letting everybody know I was there.”* Part of this narrative that references time was tagged with “Time (generic reference)” code. This specific example provides a good illustration of the experiential learning process and how a specific opportunity leads to the foreign market commitment, which is in line with the clustering results summarised in Figure 5.17, Figure 5.16 and Figure 5.18.

Even so, accommodating learning style can also lead to a lower degree of foreign market commitment, which is illustrated by the following example in Figure 5.10.

Figure 5.10: Experiential learning processes that lead to lower in-market commitment or de-internationalisation.



In another case study (Recruitment Systems), the decision maker also had engaged in accommodating learning while in a country that might have been suitable for the internationalisation attempt. The fact that the decision maker *“had a go at doing some work in Malaysia and ... visited and ... did a lot of negotiation work”* together with a reference to the learning outcome: *“we don’t want to do business ... it’s too corrupt”* are sufficient to claim that this narrative illustrates the experiential learning process (i.e. accommodating learning style). Similarly, *“we didn’t like working in a corrupt environment”* shows that the decision-maker already had concrete experience of working in Malaysia to learn the degree of corruption and how it would practically affect the international operations. Again, time plays an important role as the decision-maker intended to probe the market again in 12 months, but on this occasion mobilised an agent for this purpose. In this specific instance, the actual learning experience did not result in an increased in-market commitment. The fact that the decision-maker decided to pursue the internationalisation in Singapore, instead of Malaysia, illustrates that this learning experience made a significant impact on the choice of foreign market location.

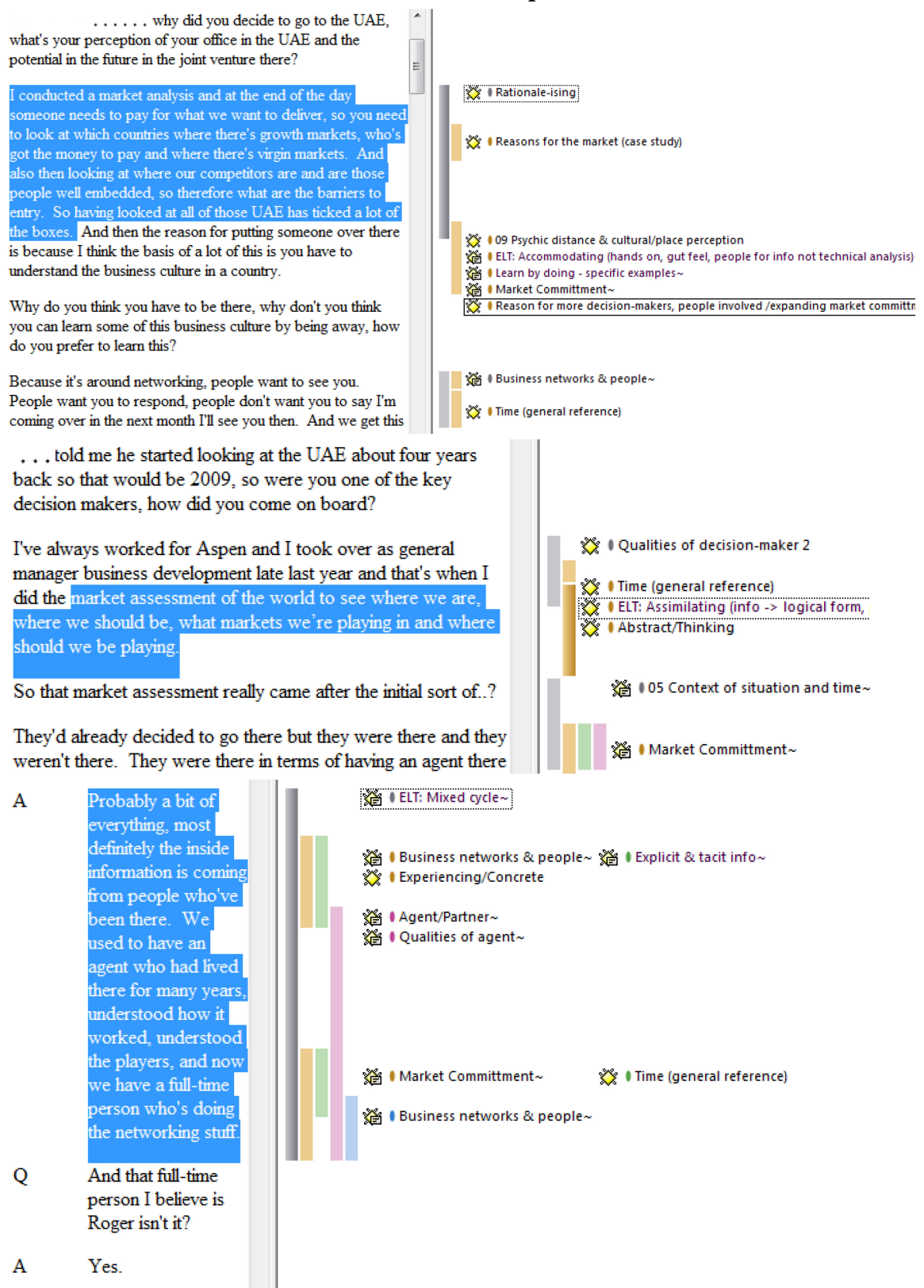
5.3.3 *Experiential knowledge accumulation is a complex process that touches all bases of learning*

As discussed with reference to Figure 5.17 and Figure 5.18 (page 219), the analysis of the clustered data shows that the experiential learning process and the accommodating learning style are the key factors influencing the internationalisation-related decision-making process. Nonetheless, it could be misleading to say that the accommodating learning style is the only relevant learning process. Learning processes occur over a period of time and other learning styles/preferences often underpin future learning. Ideally, the internationalisation decision-making process involves a mixed learning method that relies on multiple sources of data and still reconfirms the initial intention or intuition of the decision-maker.

This argument is illustrated with the narrative in Figure 5.11 below. This figure contains text from three different parts of the same interview. What is relevant here is that the decision-maker tried to over-rationalise the reason why the company is engaged in the internationalisation process by arguing that *“I conducted a market analysis and at the end of the day someone need to pay for what we want to deliver, so you need to look at which countries...”*. While there is certainly strong evidence to suggest that the UAE present a reasonable internationalisation opportunity for Aspen, the actual research report that

looked into this opportunity was produced only after another decision-maker had spent 2 years exploring the market. From the interview it is also evident that this decision-maker most likely influenced the need for a formal report that justified the market opportunity in the first instance. Furthermore, this case shows that the decision to expand to the UAE was more or less finalised even prior to the market analysis conducted by the general manager, which is illustrated by the following comment: “*They’d already decided to go there...*”.

Figure 5.11: Experiential learning cycle – mixed learning and the internationalisation process



As seen from the coded narrative in Figure 5.11, the need for desktop research (i.e. assimilating learning) was prompted by the in-market experience (i.e. accommodating learning) of the key decision-maker. The market analysis and desktop research conducted by the general manager reflect assimilating learning style, where the manager formalised the abstract concepts resulting from two years of prior in-market engagement. The interview narrative shows that the accommodating learning predates the assimilating learning, but both were relevant throughout the internationalisation process. This suggests that the key decision-makers followed the experiential learning cycle as part the internationalisation process in the UAE. Hypothetically, if either the timing or the judgment were different during the experiential learning process – it would most likely have affected how the internationalisation process unfolded.

This case is also a good example that context is an important consideration when coding the interview narrative. This is best illustrated with the explanation why the following narrative is coded as “ELT: Mixed Cycle”: *“Probably a bit of everything, most definitely the inside information is coming from people who’ve been there.”* This narrative certainly puts a strong emphasis on the concrete experience of other individuals as a source of knowledge. Nonetheless, the reference to *“a bit of everything”*, which implies the market analysis report (i.e. assimilating learning) that had been raised in the beginning of the interview, is important contextual evidence to take into account when coding the data for sequence analysis.

This also shows that the same text can be coded in different ways, depending on the researcher’s judgement and knowledge of the specific case. But the errors due to subjective coding are minimal, because the sequence analysis was conducted on all seven case studies and the same coding was reviewed at least twice. Further, as explained in Chapter 3 the sequence analysis results were tested with several different clustering algorithms (average, centroid and Ward’s method) to check the reliability of the data. All three methods showed very similar clustering results, which suggests that there is a latent structure in the data.

5.3.4 How do business networks influence foreign market commitment?

Relevant business networks act as a source of knowledge during the internationalisation process of firms. As discussed in Chapter 2, Vahlne and Johanson (2013: 192) hypothesise that internationalisation success is related to the ability of the firm to

internalise relevant knowledge by controlling and coordinating the development of relevant business networks. This was evident from the case study analysis in Sections 5.2.1 - 5.2.7. Nonetheless, it is still important to demonstrate how decision-makers explain the relevance of business networks to foreign market commitment.

It is interesting that in some instances the decision-makers went ahead with setting up an offshore office without having had access to strong relevant business networks and in-market relationships. For example: *"We used to have an agent who had lived there for many years, understood how it worked, understood the players, and now we have a full-time person who's doing the networking stuff."* Similarly, this firm did not have sufficient business networks prior to the internationalisation: *"...via an office in Singapore - as a starting point. We created a few networks and personal, professional relationships that we now starting to grow and expand a little bit."* In these narratives, references to business networks and foreign market commitment are in close proximity within the text. These patterns are also reflected in the hierarchical clustering dendrogram (see Figure 5.17 below or Figure 5.18 where codes 17 and 52 merge into one cluster at level 0.029). As explained in Section 3.4.4, the hierarchical clustering dendrogram is a good overall presentation of how the decision-makers relate certain concepts and ideas when describing the internationalisation process of their firm.

5.3.5 *The importance of the context of situation and time*

Context of situation and time can be a broad and vague construct. Therefore, it is important to identify relevant interview narratives that describe how context affects foreign market commitment. To illustrate this point further, an interviewee stated the following: *"the human race is moving towards a point where there's a realisation that you have to manage all our resources. Energy, water, power, food. All of them have to be managed more efficiently."* In this instance, the word's increasing focus on environmental resource management is an important contextual detail that stimulated the firm to pursue foreign market opportunities that were triggered by the increasing demand for water management services. A different instance where context is influencing foreign market commitment is demonstrated by the following quote: *"... because I've been dying to work in Asia for a while. I've been thinking of in fact leaving this company and going and doing something in Asia, and to some respect I think they thought '... maybe he really wants to do this, we probably should'. I'm not sure, I have a feeling they probably thought they needed to support me in this."* This example shows how the decision-maker received necessary support from

the company's board to pursue the foreign market opportunity. The timing of this support was also critical as otherwise the decision-maker could have left the firm at a time when there were no other individuals in the firm to lead the relocation of the company overseas. In brief, the context of situation and time covers a broad range of factors that are case-specific and have a significant impact on the internationalisation process of firm at a point in time.

Relevant context should also be considered when interpreting the degree of foreign market commitment. Reflecting on the case of XP Solutions, discussed in Sections 5.2.5, while the UK market accounts for 50% of the revenue base - most of the resources and time were committed to moving the operations to the Philippines. This is relevant to the sequence analysis method because parts of the narrative were tagged as 'Market Commitment' and 'Context of Situation and Time':

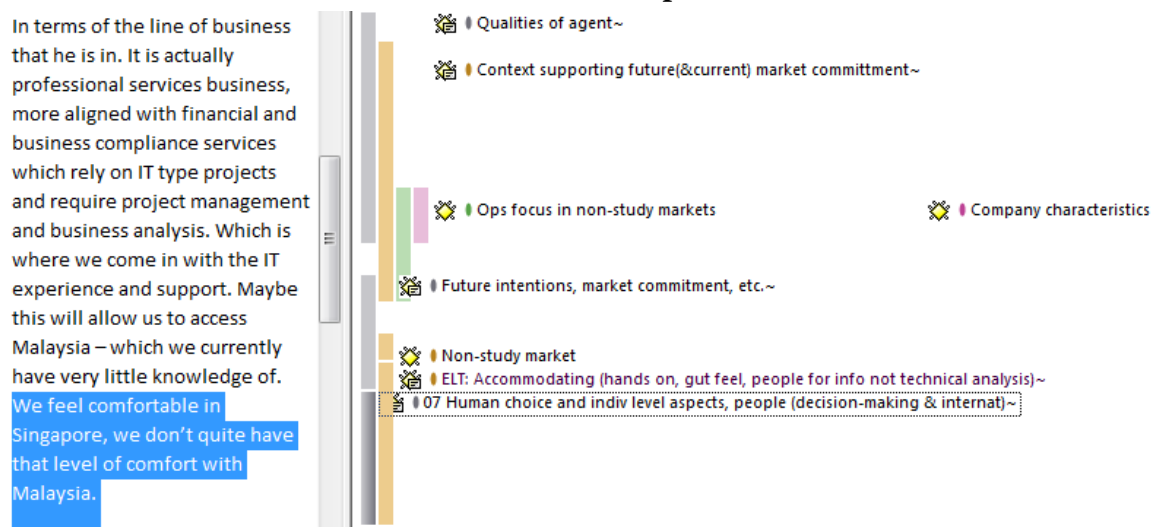


The narrative in Figure 5.12 reflects the justification the interviewee provided to argue that the UK is not the key focus for the firm. The interviewee provided the context which shows that the UK firm is a relatively new acquisition and the relocation from Australia to the Philippines was perceived as a priority at the time of the interview. The importance of contextual information in interpreting the internationalisation process of firms is also evident from the clustering dendrogram in Figure 5.17 and Figure 5.18 (codes 4 and 52).

5.3.6 Human choice and judgement as part of the internationalisation decision making process

The case of SYPAQ (discussed in Section 5.2.6) is a good practical illustration as to why ‘Human choice and individual-level aspects’ and ‘Market commitment’ are clustered on the same primary leaf of the dendrogram (see Figure 5.17 and Figure 5.18 – codes 6 and 52).

Figure 5.13: Key cluster - human choice and individual-level aspects as part of the internationalisation process.



The case in Figure 5.13 shows that the decision-makers “*feel comfortable in Singapore*” and do not have the same level of comfort about Malaysia. The narrative also describes specific characteristics of the agent, which might lead to another internationalisation attempt by SYPAQ in Malaysia at a later stage.

A further example of how human choice and individual level aspects influence the decision-making process in relation to internationalisation is the case of XP Solutions, where personal and family-related aspects influenced the decision to pursue the internationalisation opportunity in the Philippines. This is how the key decision-maker described his thoughts process: “*Personally I was in a point where I needed probably that sort of... [referring to his initial trip to the Philippines] to fill in, and then from a business point of view it all made sense.*” This again underlines the reason why sequence analysis dendrogram shows ‘Human choice and individual level aspects’, ‘Feel/Emotions’ and ‘Market commitment’ on the same leaf (codes 6, 33 and 52 on Figure 5.18).

5.3.7 *Visualisation of the code co-occurrences matrix*

Before presenting the results of the sequence analysis conducted with QDA Miner software (explained in Section 3.4.4), the study offers a visualisation of the key aspects that decision makers raised in relation to the internationalisation process of firms. Figure 5.14 below provides a visualisation of the key internationalisation-related processes reported during the interviews.

This visualisation was created using Gephi 0.8.2 software, based on the code co-occurrences matrix from QDA Miner. The code co-occurrences matrix simply presents the number of times when one code segment overlaps another. The code co-occurrence matrix is different from the similarity matrix that is used for clustering analysis in Section 5.3.8. Establishing code co-occurrences is the first step for sequence analysis, however, the key findings will rely on clustering results that are analysed later in this section.

Figure 5.14 was created by using the “force-based” Atlas algorithm in Gephi 0.8.2 software. The key principle of this algorithm is that the codes with higher co-occurrence are plotted next to each other, while the codes with lower co-occurrence are pushed further apart. The visualisation settings were adjusted to highlight only the key co-occurrences rather than the relationship between all 77 codes. The thickness of the linkages between the codes represents the degree of co-occurrence. Overall, codes that co-occur together within the interview are located closer to the centre of the map and have thicker linkages between them (see page 220 for a glossary of all 77 codes). Codes that have no direct linkages co-occur less compared to codes that have a direct link between them.

There are other significant observations. For instance, the decision makers refer not only to the current/realised market commitment, but also explain the internationalisation strategies of their firms with reference to future intentions and expected market commitment. Furthermore, the 'Context of Situation and Time', which is unique to each firm, has a strong co-occurrence with references to 'Market Commitment'. The 'Context

of Situation and Time' code often co-occurs with 'Prior Experiences' and 'Non-study markets', all of which formed the current knowledge and perceptions of the key decision makers. Similarly, when explaining the internationalisation process of their firm, the decision-makers paid close attention to unique contextual circumstances that are likely to support future/current commitment in foreign markets.

Finally, key decision makers refer to experiential learning processes at the same time as they refer to business networks and people-to-people links. While there are several direct linkages between various experiential learning styles/modes and foreign market commitment, the decision makers also recall the importance of relevant business networks and relationships as a source of knowledge. These aspects will be explained in greater detail as part of the sequence analysis discussion below.

Most importantly, the descriptive co-occurrences map in Figure 5.14 demonstrates that the data is coded accurately across the sample. This is evident from the patterns observed in the reported data. For instance, the Experiential Learning Theory established that individuals with an accommodating learning style have active experimentation and concrete experience as dominant learning abilities (see Section 2.5.1). Similarly, as part of the accommodating learning style, individuals predominantly act on intuition rather than logical analysis. This pattern is also observed in Figure 5.14, the accommodating learning style comprises of active experimentation and concrete experience-based learning abilities, and there is a direct link with 'Feel/Emotions' that are driving the decision-making process of key individuals within the firm.

Figure 5.14 shows a direct linkage between market commitment, entry mode, and agent/partner. Similarly, the codes for joint venture (JV), direct exporting and wholly owned subsidiary (alone) – are co-located next to the 'Entry Mode' code in the map. This shows that there is a logical pattern in how codes co-occur together; foreign market commitment comprises of specific market entry modes – occasional export activities, export through an agent, joint venture and wholly owned subsidiary.

The simple co-occurrence, however, does not account for the number of times that the codes appear on their own, which is why it is important to calculate a dissimilarity matrix. Then, average-linkage hierarchical clustering is applied to the distance matrix to identify patterns in data. The exact steps involved in sequence analysis of text, as well as relevant algorithms, were explained in Section 3.4.4.

5.3.8 Sequence analysis of the narrative data: hierarchical clustering dendrogram and key constructs influencing the internationalisation process

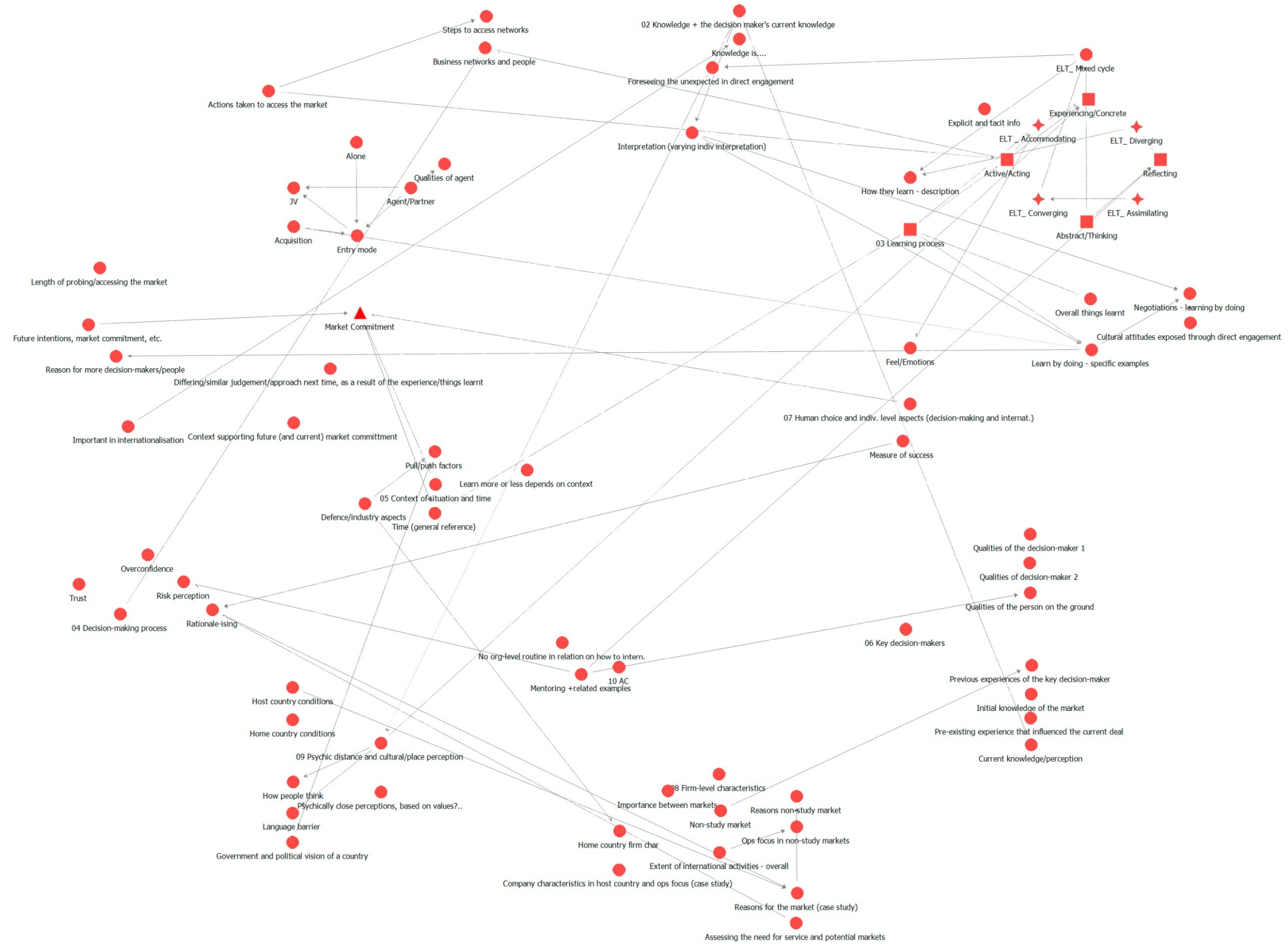
Sequence analysis allows the identification of patterns within narratives or texts. It not only determines the frequency of the specific concepts/terms/codes, but also when these concepts occur in the narrative. This allows us to gain a holistic interpretation of the text, which goes beyond its literal meaning. Descriptive statistics presented below will not only provide a visualisation of the data, but also assist with causal modelling.

Arguably, sequence analysis is a more objective and robust analytical method for multiple case studies than a simple cross-case analysis. By utilising this technique, researchers can find natural groupings and patterns within data objectively. This will also assist with explaining causal relationships and identifying dominant patterns in data. As part of the sequence analysis, the coding process relies on the interpretation of text by the researcher in light of the relevant context. Context and time are the integral parts of these interpretations. Consequently, sequence analysis is well-suited for process studies, as explained in the method Section 3.4.4.

Figure 5.15 presents a mind-map of how this study structured the codes prior to the application of the sequence analysis. There are 77 codes with key theoretical concepts grouped together (for a full glossary of all codes please see page 220). For example, all experiential learning modes and styles are grouped together in the right top corner. Relevant experiential learning styles - in line with the Experiential Learning Theory - are represented by stars, whereas learning modes are represented by squares. Market commitment is marked as a triangle and all other codes are represented as a circle.

The study uses this mind-map throughout the coding process to assist with the accurate and consistent application of codes. Codes that relate to the same or similar concept are formed into ten families, where the code for each family is marked by a two-digit number (e.g. 03 Learning process). The grey lines in Figure 5.15 depict the strongest relationships discovered in the interview data based on the sequence analysis. For the purposes of this research project, the actual direction of the relationship is irrelevant.

Figure 5.15: Mind-map of codes depicting the relationships established through the sequence analysis.

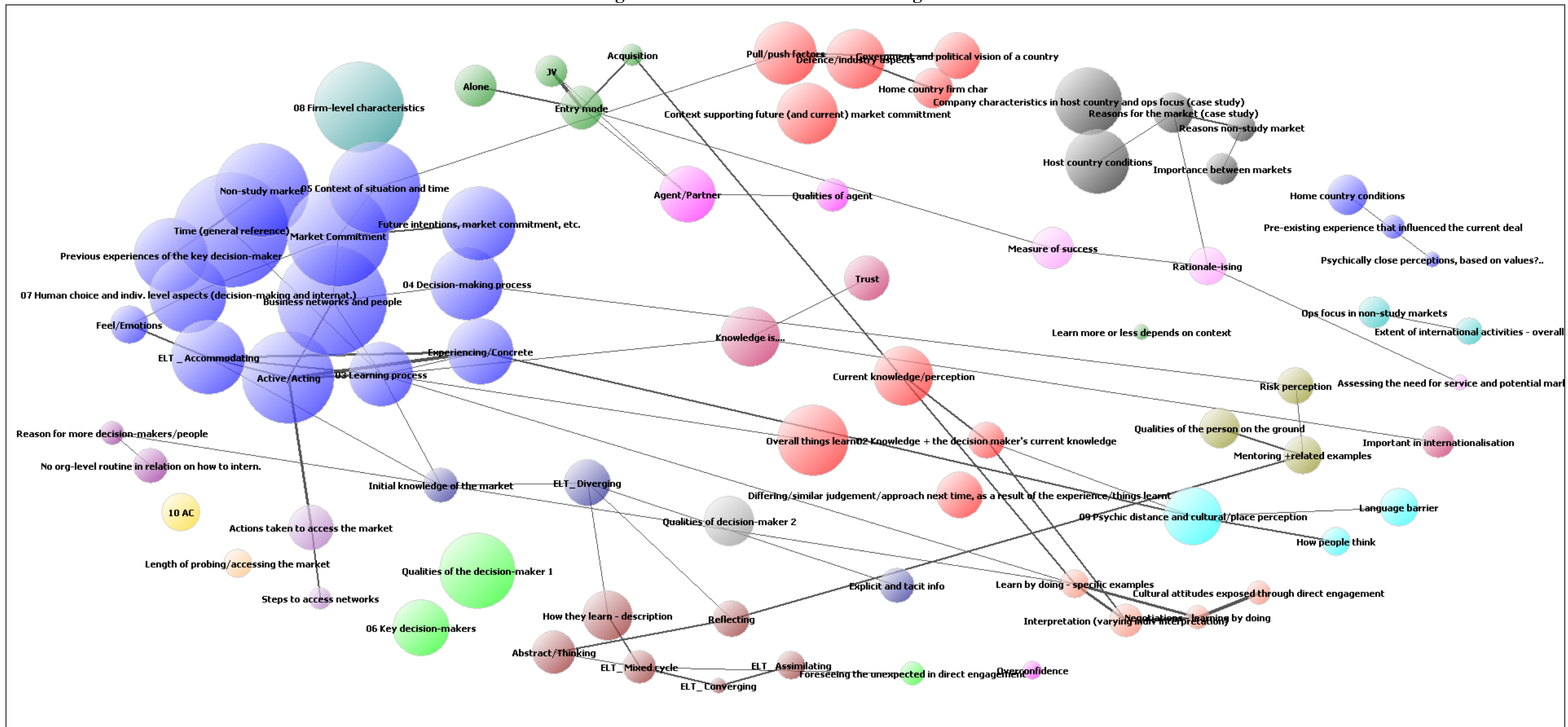


Note: The two key constructs investigated as part of this research are marked as a triangle and a square – market commitment and learning process (including experiential learning modes). Stars represent relevant experiential learning styles in line with the Experiential Learning Theory. The circles represent other codes and constructs considered as part of this research.

Figure 5.16 presents the results of the multidimensional scaling, where the clusters are grouped together and grey lines depict the links across clusters. Each colour represents a different cluster and the frequency of occurrence is visualised by the size of the code bubble. Effectively, the codes are arranged to represent the pattern of how they occurred throughout the interviews – this shows how the decision-makers relate certain theoretical constructs throughout the interviews. It should be noted that the physical location of codes in Figure 5.16 (after the application of sequence analysis) is different to the location of codes in Figure 5.15 (where the codes are grouped by relevant theoretical themes).

The key cluster of codes in Figure 5.16 is depicted in blue and has the highest frequency of occurrence. It is interesting that the key constructs that formed this cluster relate to specific experiential learning processes, business networks, context of situation, time and foreign market commitment. All other codes formed clusters that are more distant and occurred less frequently throughout the interviews.

Figure 5.16: 2D Multidimensional Scaling



Note: Each colour represents a different cluster, where the codes that form part of the same sequence are grouped together. Grey lines represent the linkages between clusters, where the thickness of the line is proportionate to how often these linkages occur. The size of each bubble represents the occurrence frequency.

Figure 5.16, Figure 5.17 and Figure 5.18 present the results of the average-linkage hierarchical clustering that this study uses to identify significant sequences from the interviews. These graphs are based on the same results of the sequence analysis and provide different visual representations of the same data. The key patterns observed through these diagrams are also the same. Therefore, findings in Figure 5.17 and Figure 5.18 will be explained at once.

Figure 5.17 provides a clustering dendrogram based on the sequence analysis conducted in QDA Miner – this shows the key clusters formed throughout the interviews. Each cluster is presented in its own unique colour with the occurrence frequency represented by the bar charts on the left side of the graph. The key cluster that contains “Market Commitment” code, and therefore is most relevant for this study, is presented in bold black and contains 13 other codes.

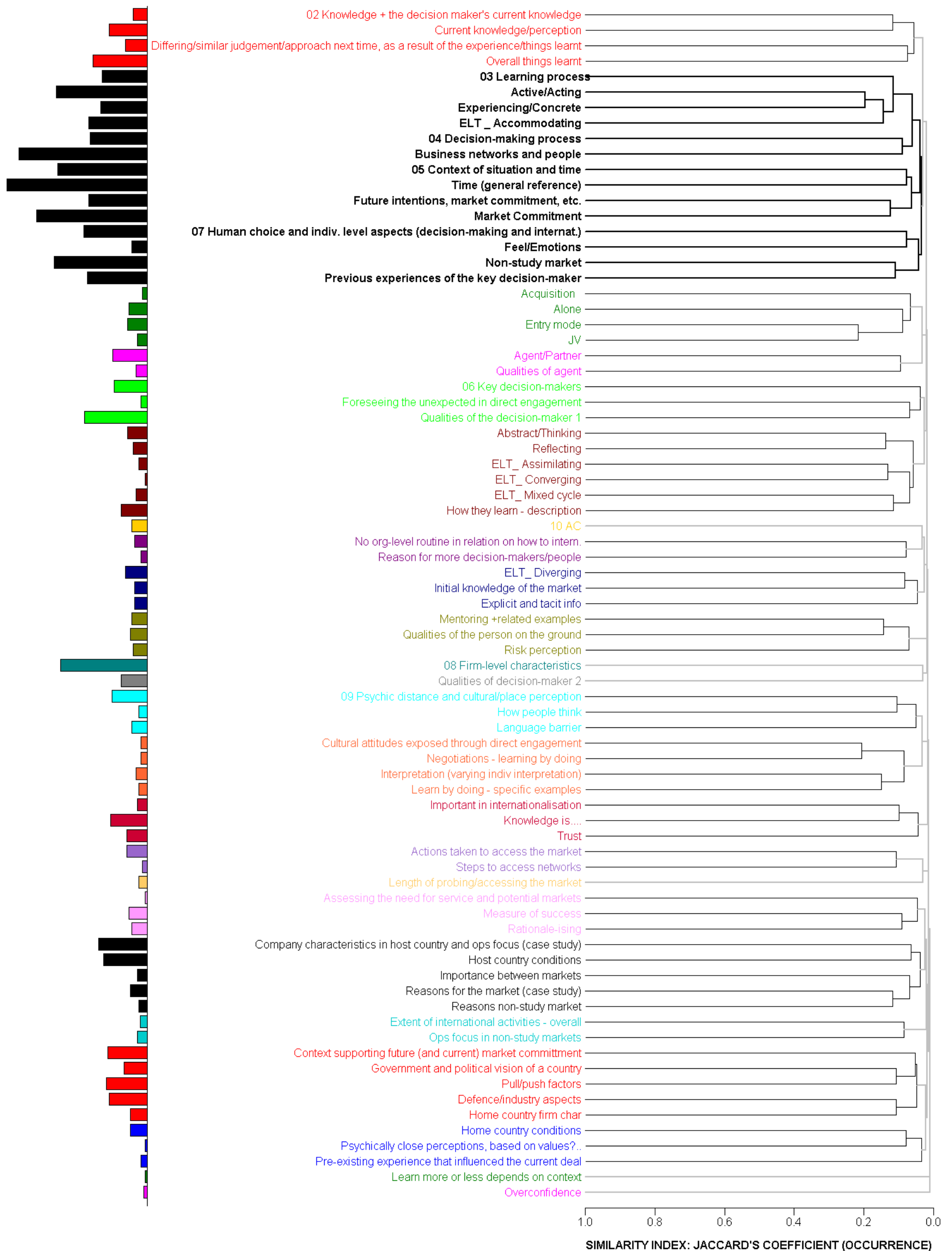
Figure 5.18 provides similarity values for each cluster reported in Figure 5.17. Effectively, Figure 5.18 provides the context on how the clusters were formed in Figure 5.17 and what groups clustered first. The same key cluster of 14 codes is also depicted in Figure 5.18 as bold black selection. Figure 5.18 was calculated on the basis of Jaccard similarity matrix (see Section 3.4.4) in NetMiner 4.0 software instead of the QDA Miner package, which by default does not report the exact similarity values as part of the dendrogram. In both figures, the number of clusters was set to 24 for hierarchical clustering and multidimensional scaling analysis.

The selection of codes in bold black in Figure 5.17 and Figure 5.18 show 14 key constructs that cluster on one leaf. Notably, codes that are part of this cluster also have the highest occurrence frequency. This key cluster shows aspects that interviewees prioritised when explaining the decision-making process that informed the internationalisation process of their companies. These 14 constructs or codes are listed as follows:

1. Learning Process;
2. Active/Acting learning mode;
3. Experiencing/Concrete learning mode;
4. Accommodating learning style;
5. Generic references to the decision-making process;
6. Business networks and people;

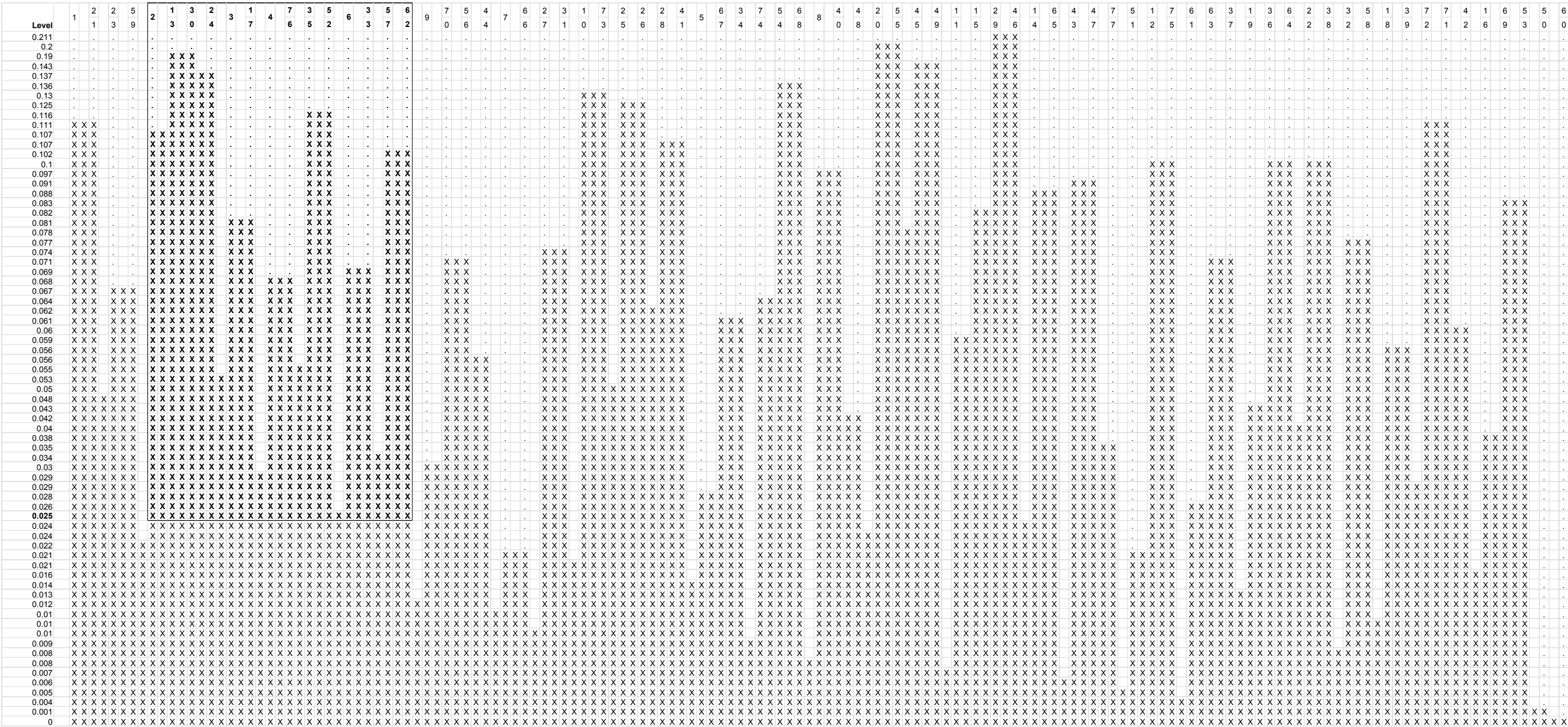
7. Context of situation and time;
8. General references to time;
9. Future intentions and market commitment;
10. Market commitment;
11. Human choice processes and individual-level aspects that influenced the decision-making process during the internationalisation of the firm;
12. Intuitions and emotions;
13. References to a non-study market (other markets where the firm has a presence, but the internationalisation process in this market was not directly probed during the interview);
14. Previous experiences of the key decision maker.

Figure 5.17: Average-linkage hierarchical clustering dendrogram



Note: Each colour on the dendrogram represents a separate cluster group. The occurrence frequency is defined by the bar charts on the left side of the graph. The scale shows Jaccard similarity index based on code co-occurrence/overlap within a segment of text, where codes that are most similar will form pairs at values closest to 1.0. The calculation of the distance matrix is explained in Section 3.3.4.

Figure 5.18: In-depth similarity analysis of the clustering results



Note: The x-axis presents the codes considered as part of the sequence analysis, y-axis presents Jaccard similarity values (1-most similar, 0-most dissimilar). The key cluster considered as part of this study was formed at level 0.025.

- | | | | |
|--|--|---|---|
| 1 "02 Knowledge + the decision maker's current knowledge" | 21 "Current knowledge/perception" | 40 "How people think" | 60 "Overconfidence" |
| 2 "03 Learning process" | 22 "Defence/industry aspects" | 41 "How they learn - description" | 61 "Pre-existing experience that influenced the current deal" |
| 3 "04 Decision-making process" | 23 "Differing/similar judgement/approach next time, as a result of the experience/things learnt" | 42 "Importance between markets" | 62 "Previous experiences of the key decision-maker" |
| 4 "05 Context of situation and time" | 24 "ELT_ Accommodating" | 43 "Important in internationalisation" | 63 "Psychically close perceptions, based on values" |
| 5 "06 Key decision-makers" | 25 "ELT_ Assimilating" | 44 "Initial knowledge of the market" | 64 "Pull/push factors" |
| 6 "07 Human choice and indiv. level aspects (decision-making and internat.)" | 26 "ELT_ Converging" | 45 "Interpretation (varying indiv interpretation)" | 65 "Qualities of agent" |
| 7 "08 Firm-level characteristics" | 27 "ELT_ Diverging" | 46 "JV" | 66 "Qualities of decision-maker 2" |
| 8 "09 Psychic distance and cultural/place perception" | 28 "ELT_ Mixed cycle" | 47 "Knowledge is..." | 67 "Qualities of the decision-maker 1" |
| 9 "10 AC" | 29 "Entry mode" | 48 "Language barrier" | 68 "Qualities of the person on the ground" |
| 10 "Abstract/Thinking" | 30 "Experiencing/Concrete" | 49 "Learn by doing - specific examples" | 69 "Rationale-ising" |
| 11 "Acquisition" | 31 "Explicit and tacit info" | 50 "Learn more or less depends on context" | 70 "Reason for more decision-makers/people" |
| 12 "Actions taken to access the market" | 32 "Extent of international activities - overall" | 51 "Length of probing/accessing the market" | 71 "Reasons for the market (case study)" |
| 13 "Active/Acting" | 33 "Feel/Emotions" | 52 "Market Commitment" | 72 "Reasons non-study market" |
| 14 "Agent/Partner" | 34 "Foreseeing the unexpected in direct engagement" | 53 "Measure of success" | 73 "Reflecting" |
| 15 "Alone" | 35 "Future intentions, market commitment, etc." | 54 "Mentoring +related examples" | 74 "Risk perception" |
| 16 "Assessing the need for service and potential markets" | 36 "Government and political vision of a country" | 55 "Negotiations - learning by doing" | 75 "Steps to access networks" |
| 17 "Business networks and people" | 37 "Home country conditions" | 56 "No org-level routine in relation on how to intern." | 76 "Time (general reference)" |
| 18 "Company characteristics in host country and ops focus (case study)" | 38 "Home country firm char" | 57 "Non-study market" | 77 "Trust" |
| 19 "Context supporting future (and current) market commitment" | 39 "Host country conditions" | 58 "Ops focus in non-study markets" | |
| 20 "Cultural attitudes exposed through direct engagement" | | 59 "Overall things learnt" | |

The 14 codes that formed the key cluster in Figure 5.17 and Figure 5.18 are reflective of the patterns observed through the qualitative case study analysis (Section 5.2).

These 14 codes that appear on one key cluster can be grouped into six families or categories based on the theory as follows:

1. Learning processes: 03 Learning process; Active/Acting; Experiencing/Concrete; ELT - Accommodating;
2. Context of situation and time: 05 Context of situation and time; Time (general reference); Non-study market; Previous experiences of the key decision maker;
3. Market commitment: Market commitment; Future intentions in relation to market commitment, etc.;
4. Human choice processes and individual-level aspects that affect the decision-making process: Human choice and indiv. level aspects, Feel/Emotions;
5. Decision-making process;
6. Business networks and people.

The data in Figure 5.17 and Figure 5.18 show that experiential learning processes, business networks, relevant context of situation and time, as well as, human choice and individual-level aspects are the key factors influencing the internationalisation decision-making process and foreign market commitment. Sections 5.3.1 - 5.3.6 exemplified how each one of the factors (within the key cluster) influence the internationalisation process Australian services SMEs (see pages 200-209). These sections specifically discussed interview narratives where the key sequences overlap.

The most frequent codes within the key cluster in order of significance are:

- Business networks and people (105 counts);
- Market commitment (83 counts);
- Non-study market (70 counts);
- Active/Acting learning (68 counts);
- Context of situation and time (67 counts);

As expected from the literature review in Chapter 2, business networks and people-to-people links often trigger relevant learning experiences that then lead to foreign market commitment. The findings show that these networks are often formed in markets other than

where a firm in our sample underwent the particular internationalisation process that was the subject of this research project. Moreover, the current internationalisation attempts were often judged relative to or compared with prior experiences in other foreign locations.

5.3.9 What do key decision-makers learn through experiential learning?

The significance of the experiential learning cycle and mixed learning as part of the internationalisation process is evident from the clustering dendrogram data. While the accommodating learning style clusters on the same leaf as market commitment, decision-makers reference multiple learning styles when describing 'how they learned' new knowledge throughout the internationalisation process. 'Abstract conceptualisation', 'reflective observation', 'assimilating' and 'converging learning' codes all clustered on the same leaf of the hierarchical clustering dendrogram (see the sixth cluster on Figure 5.17).

While it is evident that key decision-makers rely an accommodating learning style in relation to foreign market commitment, and that other modes/styles of learning often underpin the final perception of a market opportunity, it is still important to review what exactly they learn throughout this process. This thesis does not only identify the micro-foundations of learning, but it also pinpoints what has been learnt as part of the experiential learning cycle. From the red leaf of the dendrogram (first cluster on), it is evident that the new knowledge often leads to a differing judgement/perception of the internationalisation strategy of the firm.

The Figure 5.17 shows that the 'Overall things learnt', 'Current knowledge/perception' and 'Differing/similar judgement/approach next time, as a result of the experience/things learnt' codes all appear within the same cluster. In the previous section, we reviewed the case study of Recruitment Systems where new knowledge, which was acquired after setting up an office in Singapore, contradicted the decision-maker's initial perception of the market opportunity. Further, the case of SYPAQ exemplifies when the decision-maker touched all bases of learning and new knowledge/experience reconfirmed the initial perception of the foreign market opportunity (see Section 5.2.6).

Moreover, Figure 5.18 shows that the key cluster that covers foreign market commitment (codes 2, 13, 30, 24, 3, 17, 4, 76, 35, 52, 6, 33, 57, 62) is most similar to the cluster containing codes relevant to the current perception of the foreign market (code 21) and the overall things learnt (code 59). In other words, the sequence analysis shows that things learnt

as part of the experiential learning cycle will overall positively impact on the foreign market commitment of the firm. Nonetheless, in the case of Recruitment Systems new experiential knowledge learnt in Malaysia had a negative impact market commitment.

Appendix F: Experiential learning cycle and new knowledge learnt shows extracts from the interviews that illustrate what exactly is learnt by the key decision-makers as part the experiential learning cycle.

5.3.10 The summary of the conclusions from sequence analysis

Overall, the sequence analysis proved that not only the accommodating learning style is most closely associated with the foreign market commitment, but also that the mixed learning cycle is important in forming the perceptions that decision-makers have of a foreign market opportunity. It is notable that the decision-makers did not prioritise aspects related to a specific entry mode, to psychic or institutional distance, to firm characteristics or to host country conditions when discussing decisions on foreign market commitment. While these aspects were explicitly or implicitly mentioned within the interview, the sequence analysis shows that these were far less relevant during the decision-making process. The most logical explanation as to why the interviewees primarily focused on experiential learning, business networks, as well as context of situation and time is that the decision-makers chose to focus on how they tackled certain barriers in the internationalisation process. The results observed as part of the sequence analysis demonstrate that the internationalisation success²⁴ primarily depends on the ability of the key decision-makers to source the knowledge about a market opportunity that helps them to achieve their intended goals²⁵.

Similarly, the sequence analysis shows that spatio-temporal context plays an important role throughout the internationalisation process. Key decision-makers often made explicit references to time, whether it is a specific date or period, when explaining their foreign market commitment and experiential learning. It is notable that the interviewees prioritised discussing future market commitment intentions and previous experiences in non-study

²⁴ Measured as ongoing internationalisation, where the decision-maker did not have to review initial reasons for entering the market or discard the foreign market opportunity.

²⁵ Provided that only one company had a written plan stating the internationalisation-related goals, it is difficult to assess when these goals are explicitly set.

markets. This reconfirms that future perceptions of the foreign market opportunity as well as past experiences, possibly in the context of different host countries, were critical in forming the internationalisation strategy exercised by the decision makers of Australian services SMEs.

5.4 Conclusion

This section will synthesise the internationalisation pathway of firms in light of the micro-foundations of learning and foreign market commitment. This section will argue that learning should not be judged on the basis of the internationalisation outcome itself (i.e. increased foreign market commitment or the internationalisation success/failure), unless IB researchers can demonstrate a clear causality between the processes by which firms gain relevant experiential knowledge and the foreign market commitment that firms implement. The synthesis builds on within-case and cross-case evidence as well as the theoretical foundations discussed in Chapter 2.

The new conceptualisation of the experiential learning and foreign market commitment presented in Figure 5.19 below offers a much richer understanding of the interaction between experiential learning and foreign market commitment than the existing studies. As explained in Chapter 2, the variance-based studies fail to analyse what constitutes experiential knowledge and do not follow process methodology and theorising. This research project concludes that Australian services SMEs follow the process depicted in Figure 5.19.

Figure 5.19: Conceptualisation of experiential learning and foreign market commitment – process flow diagram

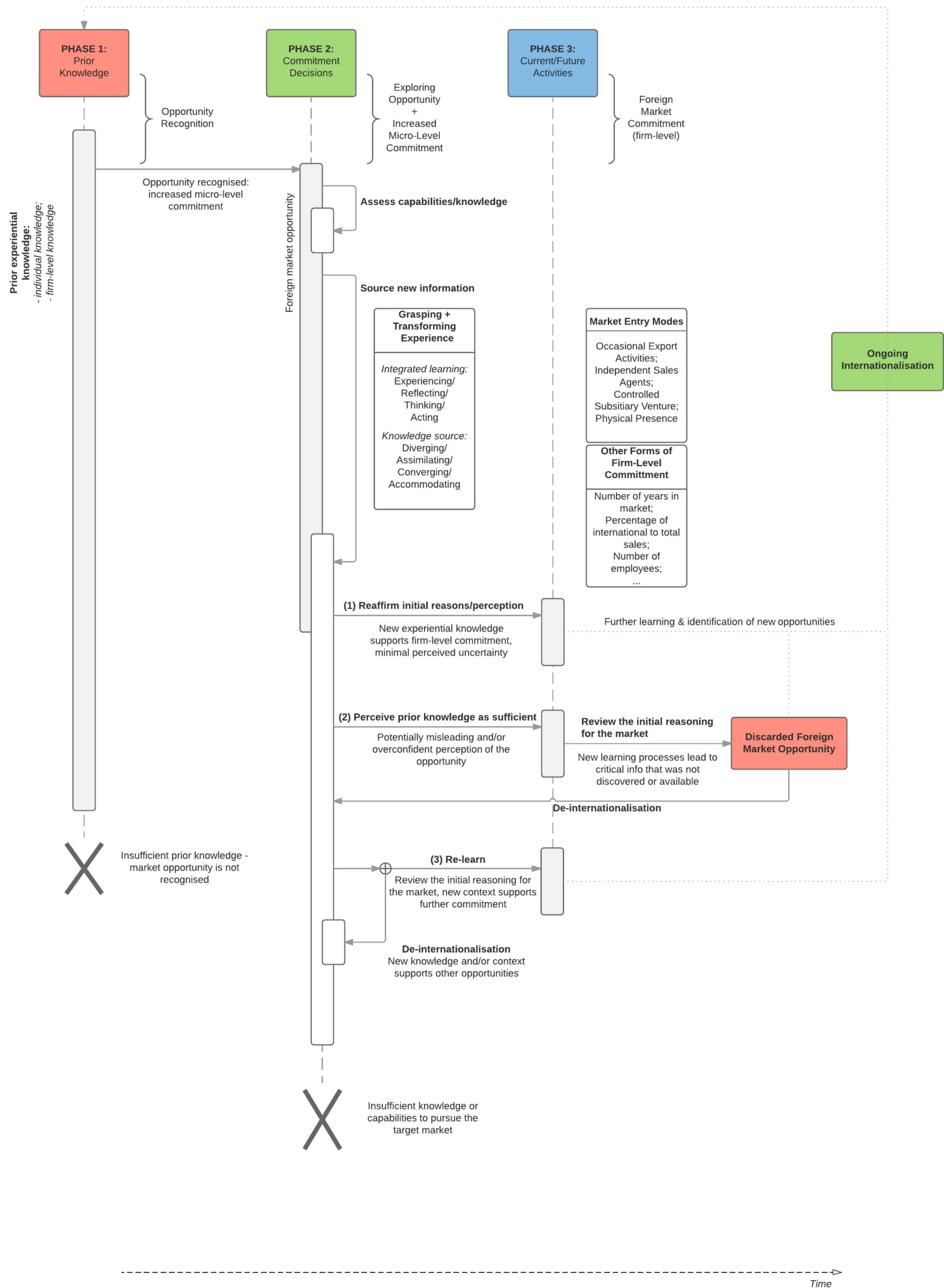


Figure 5.19 conceptualises that prior experiential knowledge plays a critical role in the internationalisation process, and it identifies the decision-maker's ability to perceive a foreign market opportunity as a crucial factor (see Phase 1). The entrepreneur does not learn experiential knowledge only from the prior history of the firm, but also from specific personal experiences that go beyond the lifespan of the current organisation. Provided the foreign market opportunity exists, the prior experiential knowledge will determine whether a key decision-maker can recognise this opportunity.

If decision-makers can recognise a foreign market opportunity at Phase 1, they will attempt to expand their understanding of the complexities involved in accessing that market – Phase 2. As part of Phase 2, key decision-makers will assess the capabilities required to pursue the foreign market opportunity. Throughout this assessment process, the decision-makers are inevitably involved in sourcing relevant information. The process of sourcing information will consequently define what learning modes the decision-makers prefer to follow (refer to Section 2.5.1 for the discussion of the learning modes and the ELT).

Section 5.2 reviewed the chronology of the critical events for each case and revealed that at Phase 2 the decision-makers, in most cases, are involved in integrated learning. That is, they touched all bases of the learning process: accommodating, diverging, assimilating and converging learning. As part of the experiential learning process, the decision-makers predominantly relied on the accommodating learning style. Sections 5.2.1 - 5.2.7 provided specific examples of grasping and transforming experience over time. For example, Section 5.2.6 explained that SYPAQ had learnt how to sell services to Australian subsidiaries in Singapore by looking at several potential acquisitions. Thus, the internationalisation process of SYPAQ is now targeting Australian clients in these markets, due the new experiential knowledge the firm developed over time: *“What we do know is that, and what we know now as opposed to what we knew a year ago... we know that at least we can sell to Australian ex-pat type or multi-nationals. ...having looked at these two or three potential acquisitions, we know they’ve been selling those sorts of services into customers in Singapore, and Malaysia and Indonesia, so we know there’s a market there”*.

The case substantiates that transforming experience into knowledge, relearning and forming a new perception of the market opportunity are an integral part of Phase 2.

Depending on the outcome of the experiential learning at Phase 2 in Figure 5.19, the decision-makers will decide whether to go ahead with the firm-level market commitment. New experiential knowledge will define the future internationalisation path, depending whether it reconfirms the prior perception of the market opportunity. The internationalisation strategy will depend on the decision-maker's perception of what capabilities are required to proceed in a new market, i.e. whether the firm can effectively pursue the foreign market opportunity. Similarly, experiential learning processes that occurred during Phase 2 will help to identify what further information is required to form a better assessment of the market.

Exploring the foreign market opportunity at Phase 2 inevitably requires an increased micro-level commitment. Micro-level processes, such as an increased commitment of personal time into learning about an opportunity, are a form of foreign market commitment that does not imply a significant change. The case studies substantiate its relevance, although the exact extent of commitment to internationalisation might not be captured by the firm-level data (i.e. variance-based indicators). As an example, the case of Aspen Medical shows that the decision-makers employed a person on a monthly basis to build in-market networks and gain market intelligence – these aspects of the learning process are not captured in firm level data on market commitment, as discussed in detail in Section 5.2.2. One of the interviewees explained that “*they [the firm] were there and they weren't there*”, which indicates that the degree of market commitment had been changing and the decision-makers were uncertain about future prospects. Moreover, at the time of the interview there was no information in the public domain that the company was actively pursuing the provision of ambulance services in the UAE. Nonetheless, the decision-makers did pursue the Middle East as one of the primary objectives at the time.

The micro-processes associated with Phase 2 may repeat multiple times until the decision-makers decide to pull out of the market entirely, or further expand the foreign market commitment of the firm. At the end of Phase 2, the decision-makers will exercise their judgement as to whether or not there is a good grasp of the situation to

initiate a higher degree of foreign market commitment and progress to Phase 3. In most instances, there was a degree of uncertainty about the future success of the internationalisation attempt. Even so, at Phase 3 the level of perceived uncertainty is permissible for the firm to continue with the internationalisation of its operations.

The experiential learning processes that occur at Phase 2 trigger the firm-level market commitment at Phase 3. When transitioning from Phase 2 to Phase 3 in Figure 5.19 the decision-makers perceive the risk or uncertainty associated with further market commitment as minimal. This perception relies on relevant learning processes. Figure 5.19 indicates that, when transitioning from Phase 2 to Phase 3, key decision makers will either:

1. *Reaffirm the initial reasons and/or perception of the foreign market opportunity:* the experiential learning processes and new knowledge acquired support the decision-makers' rationale for entering the market;
2. *Perceive prior experiential knowledge as sufficient:* the decision makers are reliant on prior knowledge that supports further market commitment. Yet, in some instances, this could lead to a misleading or overconfident perception of the opportunity;
3. *Re-learn:* the decision-makers review their initial reasoning for foreign market interest in light of the new knowledge and the context of situation and time works in favour of further market commitment. In other words, various push/pull factors, including new opportunities discovered as part of the experiential learning process, drive further learning.

Figure 5.19 shows that pathways 2 and 3 (as part of the transition from Phase 2 to Phase 3) will potentially lead to de-internationalisation and/or discarding the foreign market opportunity. In case of pathway 2, the decision-makers develop a misleading or overconfident perception of the market opportunity due to limited experiential learning. The limited experiential learning is consequential to the micro-processes followed by the decision-makers that did not lead to information or capability that are critical for effective internationalisation attempt.

Taken together, this process diagram indicates that micro-foundations of experiential learning are critical in the process by which decision-makers form their perception of the foreign market opportunity. The timing of relevant experiential learning processes is also critical for the internationalisation success. If key decision-makers form a misleading perception of the market potential at Phase 1 or 2 and they do not engage in re-learning, or the learning processes fails to identify a significant change in the business environment, then the decision-makers will still proceed with entering the market. In that case, the decision-makers will encounter difficulties to achieve the required milestones and any future success will be subject to the appropriate level of experiential learning. Consequently, in the longer term the decision-makers will have to review their initial reasoning and milestones or withdraw from the market.

As demonstrated with the case of Recruitment Systems (see Section 5.2.3), the key decision-maker changed his initial reasoning for accessing the market and little progress was achieved in Singapore during the first 2 years of operation. Moreover, while the company still had a registered office there, no one was working for the firm, until in 2015, the company resolved to make a new attempt at entering the Singapore market. Effectively, this example shows that the firm engaged in re-learning and will pursue a different strategy in the foreign market.

Phase 3 captures the firm-level commitment as part of the internationalisation process, where key decision-makers choose the most suitable market entry mode. The process diagram shows that critical learning processes that determine the degree of market commitment will most often occur prior to Phase 3. Judging from the case studies, there is no substantive evidence to say that the market entry mode or other forms of firm-level commitment offer hints as to what experiential learning processes the decision-makers followed in order to achieve a specific internationalisation outcome. As discussed above, in some instances the decision-makers might form a misleading or overconfident perception of the market opportunity. Phase 3 is associated with a greater degree of foreign market commitment and the rationale for this firm-level commitment is determined by the decision-makers' perceptions of in-market risks and opportunities. These perceptions are very much reliant on the intensity of learning and experiential learning modes that decision-makers exercise at Phase 2.

There is strong evidence to suggest that the internationalisation process of Australian services SMEs is incremental. Studying the micro-foundations of the internationalisation process and sequences or patterns that lead to a specific internationalisation outcome is the best way to capture incremental learning. The number of learning processes and exact sequences that decision-makers follow will differ with each specific case.

Figure 5.19 provided a cross-case synthesis of relevant learning sequences that key decision-makers experienced as part of the internationalisation process. Effectively, the process diagram demonstrates that critical experiential learning processes do not necessarily follow the same timeframe as firm-level market commitment. Firm-level market commitment is intermittent and does not always match the peaks of experiential learning.

A specific sequence of events tends to trigger critical learning experiences, which lead to a specific internationalisation outcome. Learning is thus dependent on the past and future actions of the key decision-maker. The most difficult task is to determine when decision-makers achieve sufficient knowledge. This depends on relevant spatio-temporal context, which is specific to each internationalisation attempt of the firm. Most importantly, even if the firm progressed to Phase 3 in Figure 5.19, it is misleading to assume that the decision-makers had gained sufficient experiential knowledge to operate in the foreign market at Phase 2.

For example, the case studies of Straker Translations and Recruitment Systems demonstrate that decision-makers did not have sufficient experiential knowledge when entering the foreign market (discussed in Sections 5.2.1 and 5.2.3). Straker Translations believes that its initial market entry attempt was naïve, irrespective of the perceived internationalisation success. Key decision-makers of Straker spent two years operating as a wholly owned subsidiary before becoming comfortable with their vision of the market: *“...we naively came to the conclusion that we can probably do it. ... It's been a reasonable challenging couple of years and I think we are starting to get it right now.”*

Likewise, the Recruitment Systems made an observation that confirms that the initial perception of the market opportunity was misleading: *“Now it seems like a lot of work for little reward. I did think at the time that there was a lot of potential... Would I set up a company there now? Yes, I probably would. But it wouldn’t be as much an imperative as it was – as it seemed to be then. It’s certainly a painless operation and relatively inexpensive.”*

The cross-case analysis shows that there is a disconnect between experiential knowledge and foreign market commitment. A change in the decision-maker’s perception of the foreign market opportunity, triggered by critical learning experiences, may occur before or after the firm-level market commitment. To minimise a chance of forming a misleading perception of the foreign market, the decision-makers should aim to exercise mixed learning and limit their reliance on a single learning style. The case of SYPAQ demonstrates how mixed learning helped the decision-maker to overcome the same hurdles faced by Recruitment Systems when entering Singapore.

Comparatively, the decision-maker of SYPAQ used a mixed learning style while Recruitment Systems was strongly reliant on active experimentation prior to the firm-level market commitment (see Section 5.2.3). Instead of acting intuitively, the decision-maker of SYPAQ not only learnt about the Singaporean tax legislation through an assimilating learning mode, but also cross-checked his knowledge with people who had prior in-market concrete experience. Notably, accommodating learning and active experimentation are critical for experiential learning. Nonetheless, it is also important to engage in mixed learning to access alternative sources of knowledge that could alter the perception of an opportunity.

Further, there is no evidence that relevant experiential learning is continuous throughout the process towards internationalisation – it starts and stops depending on the circumstances of the specific case. Likewise, not all knowledge learnt as part of the internationalisation process will be relevant to foreign market commitment. It is therefore misleading to assume that a higher degree of foreign market commitment indicates a more advanced or complex experiential learning experience. This assumption should not be supported, unless scholars are able to demonstrate what it is that decision-makers learn over time and how this new knowledge reaffirmed or changed the

perceptions of the foreign market (as indicated by the steps for transition from Phase 2 to Phase 3 in Figure 5.19).

The internationalisation process is dynamic and uncertain in nature. Thus, it is essential to demonstrate the causality between experiential learning and market commitment. Figure 5.19 depicts the process-nature of company internationalisation and highlights that foreign market commitment takes place as a result of:

- a. new and/or prior experiential knowledge that had been acquired by decision-makers in the past, where relevant experiences might go beyond the lifespan of the current organisation;
- b. prior knowledge that triggers opportunistic behaviour and results in a misleading perception of the foreign market opportunity, which is further exaggerated by inability to access new information that underlines a change in the business environment;
- c. the varying spatio-temporal context or push/pull factors that lead to a new opportunity.

Accordingly, internationalisation studies should not focus entirely on experiences. It is important to analyse the link between an experience and knowledge. And it is critical to capture the time when decision-makers change their perceptions of the foreign market. This change helps to identify critical learning experiences that have a direct impact on the future internationalisation and foreign market commitment.

CHAPTER 6: CONCLUSIONS AND CONTRIBUTIONS TO THE LITERATURE

6.1 Introduction

This chapter will recount the contribution of this thesis to the field of international business. First, the discussion will reflect on the research questions listed in Section 2.6.1 and the findings discussed in Chapter 5. This chapter will articulate how the results obtained from deconstructing the chronology of critical occurrences, cross-case and sequence/content analysis expand existing knowledge in the field of international business. Second, this chapter will demonstrate that the findings and contribution of this research are reflective of the renewed calls to implement a true process approach to studying the internationalisation processes of firms. This PhD thesis reaffirms that, regardless whether foreign market commitment is viewed from the international entrepreneurship or the conventional Uppsala theoretical perspective, the key is a good understanding of the decision-makers' experiential learning and the micro-processes that underlie the decision-making process. To synthesise a growing constellation of internationalisation models in this field of research (as explained in Section 2.4) it is essential to apply a true process approach to studying the internationalisation of firms.

6.2 Response to the research questions - what did we learn?

RQ1: What is the experiential knowledge of professional services firms?

Throughout this thesis experiential knowledge is operationalised as specific experiential learning processes, as prescribed by the Kolb's experiential learning cycle. This thesis shows that experiential knowledge of professional services firms is based at the individual level and it is formed through:

- a. Prior knowledge and experience, which often goes outside the lifespan of the current business entity;
- b. The experience of critical events or processes within the current entity, which forms the perception of key decision-makers about a relevant foreign market opportunity;
- c. Perception, feeling and emotional state resulting from prior experiences.

The key events that trigger experiential learning processes, which later lead to specific internationalisation outcomes, are directly related to past actions of the key decision-makers, as demonstrated in Section 5.2 and Figure 5.1 – 5.7. Each case history provided an in-depth review of how specific actions of key decision-makers initiated information leads that acted as a stepping stone to a more significant experiential learning. Consequent experiential learning, together with a supporting spatiotemporal context then developed into a specific market opportunity. As seen from Figure 5.1 – 5.7, each case history is supported by a timeline of critical occurrences that demonstrate the micro-foundations of experiential knowledge and how this knowledge impacts on foreign market commitment.

The timelines illustrate that experiential knowledge is often sourced over a long period of time. In some instances, knowledge that is learnt prior to the establishment of the current organisation still had a significant impact on the decision-maker's perception of the foreign market opportunity. As illustrated with the case of SYPAQ (see Section 5.2.6), the decision-maker's perception of China was based on the knowledge that was formed in the mid-1990s and yet it still had a significant impact on the internationalisation-related decision-making in 2013. This shows that capturing firm-level knowledge is insufficient and that it is instead important to focus on the time-frame associated with the individual development of key decision-makers. This is consistent with the vision of the recent studies that argue about *'the role of the individual as a core microfoundation of the internationalization process'* (Coviello, Kano and Liesch, 2017: 1151).

The internationalisation process and foreign market commitment require the decision-makers to prioritise the active experimentation region of the learning space. As explained in Section 5.3.2, an accommodating learning style (a combination of active experimentation and concrete experiencing learning mode) is the most dominant when it comes to foreign market commitment. This is supported not only by the case study analysis, but also by the results of the sequence analysis of cross-case interview narrative.

Nonetheless, the overreliance on one learning style can lead to a misleading perception of the foreign market opportunity. This argument was explained through cross-case analysis section and visualised as part of the process flow diagram in Figure 5.19. In

circumstances when decision-makers perceive prior knowledge as sufficient and do not touch other bases of learning (e.g. reflective observation or abstract conceptualisation) it is evident that their access to new knowledge is limited. The overreliance on one learning style, inability to engage in re-learning, together with a failure to identify a significant change in the business environment are real risks associated with foreign market expansion. In such instances, the decision-makers will proceed with foreign market commitment, even though in the long run they will fail to achieve the required milestones. Any future internationalisation will thus be subject to appropriate experiential learning (see Section 5.4).

It should also be noted that intuition, or “gut feeling” as referred to by many research participants, is an important factor in the internationalisation decision-making process. The intuition is directly related to exercising a judgement as part of the internationalisation process. This was demonstrated through within-case and cross-case analysis (see Section 5.2 and Section 5.3.1). Acting on the basis of intuition rather than logical analysis is consistent with the accommodating learning under Kolb’s Experiential Learning Theory, where “feeling” is often defined by the prior experiences of the decision-maker and therefore for the purposes of this research is considered as part of the learning process. The case studies provide sufficient evidence to argue that that decision-makers often rely on intuition and their judgement when deciding what internationalisation-related leads should be pursued as a priority.

RQ 1a: How does it develop over time, where does it reside and what constitutes the stock of experiential knowledge?

This research demonstrated that experiential knowledge develops incrementally as key decision-makers follow specific learning patterns over a considerable period of time. The cross-case evidence showed that experiential knowledge rests with individuals that are driving the internationalisation process of the firm. And the stock of experiential knowledge is characterised by specific learning outcomes related to the internationalisation strategy of the firm.

The case history analysis focused on explaining what the key decision-makers learn throughout the internationalisation process. Section 5.2 assessed the experiential learning developments over a period of time for each of the case studies and presented a

timeline of internationalisation-related developments. The cross-case analysis showed that the peaks of experiential learning do not necessarily match the timeline of firm-level market commitment. Thus, it is misleading to assume that firm-level market commitment is a good proxy indicator for the stock of decision-makers' experiential knowledge. This reaffirms that the stock of experiential knowledge cannot easily be quantitatively measured at the firm-level, if at all, as this data does not capture the micro-foundations of experiential learning processes.

RQ 2: What is the role of micro-processes in acquiring, accumulating and analysing experiential knowledge advantages for strategic purposes?

This thesis studied the internationalisation history of professional services firms and deconstructed timelines of critical events that determine the accumulation of experiential knowledge (Section 5.2). Each case timeline demonstrated a causality between specific micro-processes and the impact on the decision-maker's perception of a foreign market opportunity. Based on that, this thesis argues that the micro-foundations of learning take roots from specific sequences of experiences or events, which are categorised in this thesis using Kolb's Experiential Learning Theory.

Each case history focused on identifying learning and internationalisation outcomes resultant from specific micro-processes experienced by the key decision-makers. These learning outcomes are specific to each case and were explicitly identified as part of the case study analysis (see Section 5.2). Each case history highlighted the sequence of micro-processes that are specific to the internationalisation pathway of that firm. To provide a better understanding of the path-dependence notion, this study explained the exact elements that impact on the internationalisation process and illustrated how the learning process unfolds.

Throughout the internationalisation process, the decision-makers are exposed to a broad range of situations or events that form the basis of their learning process. The decision-makers interpret the meaning of these events on the basis of their prior knowledge. One can conclude that the interpretation of these events is specific to the prior experiential learning path of the key decision-maker. And, new experiences will either provide new knowledge, challenge or reconfirm the existing knowledge (as

illustrated in Figure 5.19). Effectively, the interpretation of critical experiences supports the notion of learning and knowledge creation as a process.

In effect, the micro-foundations of learning will form the decision-maker's rationale for the firm-level market commitment. This is explained in the process flow chart in Figure 5.19, as part of the cross-case analysis in Section 5.4. This study also shows that new knowledge may not immediately transpose itself into the internationalisation strategy of the firm. And the initial perception of the market opportunity will often change depending on subsequent learning developments. In other words, the evidence shows that the timing of critical learning experiences and of foreign market commitment is not always synchronised.

RQ 2a: How does experiential knowledge affect cross-border opportunity recognition and/or market commitment of professional services firms?

Significant experiential learning developments will either reaffirm or challenge the decision-maker's existing perception of the foreign market opportunity. A change in the decision-maker's perception of a foreign market opportunity is a good indication that the new learning is significant, which will consequently affect the internationalisation strategy of the firm. As demonstrated with case history timelines, the decision-maker's perception of the foreign market opportunity is reliant on specific experiential knowledge that was formed through prior learning experiences. This knowledge is always be interpreted in a relevant spatiotemporal context.

The case histories demonstrate that change processes (i.e. experiential learning, building business networks and trust, varying spatiotemporal context) are continuous, while market commitment decisions, such as the choice of a market entry mode are intermittent. In addition, the timing of the experiential learning processes is critical as it directly determines the internationalisation process of the firm. Ideally, key learning experiences occur prior to the significant market commitment, yet, the case studies demonstrate that it is not always the case (see Figure 5.19).

RQ 3: Why do professional services firms choose to internationalise: alone (exports/greenfield venture) or through partnerships (export through an agent/joint venture)?

The case studies confirm that key decision-makers of professional services firms are focused on minimising the perceived risks associated with the internationalisation process. Although it is evident that internationalising through partnerships is determined by the need for relevant experiential knowledge, this study found that key decision-makers perceive the selection of the market entry mode more as a technical stage rather than a variable representative of their experiential knowledge. As an example, the case study of SYPAQ (see Section 5.2.6) shows that the knowledge exchange between the key decision-makers occurred prior to signing the joint-venture agreement with Cerulean. In fact, SYPAQ entered the market alone prior to formalising the joint-venture agreement.

While it might be the case that firms which internationalise alone are equipped with sufficient experiential knowledge, the cross-case analysis shows that it is misleading to assume a positive relationship between experiential knowledge and foreign market commitment (as explained in Section 5.4). Entering a foreign market through an agent or as a joint-venture with a foreign partner is a way of formalising the cooperation between key decision-makers who possess relevant experiential knowledge. And the perceived risk of entering as a wholly-owned subsidiary is not necessarily higher than cross-border exporting if key decision-makers have access to informal networks that are acting as a source of experiential knowledge. This is precisely the reason why it is critical to account for the relevant spatiotemporal context and identify the exact source of experiential knowledge.

RQ 3a: How are professional services firms using experiential knowledge gained alone or through partnerships?

The case studies show that key decision-makers follow strategies to internalise relevant experiential knowledge and accelerate the internationalisation process. While partnerships (exporting through an agent or joint venture) are more indicative of a knowledge exchange between specific individuals operating in a foreign market, informal business networks can also serve the same purpose when firms choose to enter the market alone. The case studies show that, even if key decision-makers choose to

enter a foreign market as a wholly owned subsidiary or through cross-border exports, they do not necessarily possess sufficient experiential knowledge alone. This again relates to the argument that using foreign market commitment as a proxy for experiential knowledge can be misleading, which is in line with the recent suggestions in Welch et al. (2016: 790).

This thesis focused on the interplay between experiential learning and foreign market commitment as a process rather than a variance stage-based perception of the Uppsala model. All case studies show that the decision-makers do not operate in a vacuum even when internationalising alone and they often rely on other sources of experiential knowledge that are not reflected in the firm-level or organisational structure. In all instances, key decision-makers were integrated in various informal networks that function as an alternative to more conventional knowledge internalisation strategies (i.e. formalised joint-venture or partnership agreement). Therefore, it is difficult to judge the quality and degree of experiential learning that takes place when firms are internationalising through varying market entry modes. All in all, the firms are aiming to fast-forward their internationalisation by acquiring and internalising relevant experiential knowledge, whether it is through a formalised market commitment arrangement or merely informal business networks.

6.3 Contribution to the literature

This thesis was driven by the common misunderstanding in the research community that internationalisation theory is purely the ‘incremental establishment chain’ (see discussion in Welch et al. 2016: 788). What is worse is that the ‘establishment chain’ and resource commitment have often been used as a proxy for experiential knowledge by most of the studies in this field. Because of that, the development of the internationalisation process model was effectively stalled. Welch et al. (2016: 789) rightly point out that ‘the interplay between learning and commitment processes – has not been empirically tested or further developed conceptually’. By deconstructing key experiential learning sequences that decision-makers experience as part of the internationalisation process, this thesis further developed the process-related understanding of firms’ internationalisation. The implementation of Kolb’s Experiential Learning theory is in line with the position that information or experience is not

knowledge, unless it is ‘processed, learnt, absorbed and acted upon’ (Welch et al. 2016: 790).

By finding that firm-level commitment decisions are intermittent and do not reflect the incremental nature of experiential learning, this thesis moves away from the conventional stage-centred approach to internationalisation. Instead, this thesis presents a process-centred view of internationalisation – a perspective that was ignored in the literature for some time. The key advantage of the processual approach to internationalisation is that it explains the underlying reasons for foreign market commitment and allows for heterogeneous internationalisation paths, discontinuities and de-internationalisation.

This thesis explains the internationalisation process as a dynamic mechanism between experiential learning and market commitment. This thesis pushed beyond the somewhat simplistic understanding of market commitment as firm-level indicators, but also reviewed personal commitment of the key decision-makers (e.g. commitment of personal time and effort). This thesis argued that firm-level market commitment is intermittent and viewed by key decision-makers primarily as a technical stage rather than a variable representing their personal commitment.

This thesis focused explicitly on the key decision-makers, decision-making/learning styles, conditions that prevail in specific decision situations. It is evident that the learning-commitment cycle is conceived in relationships and networks. This thesis delivered a more nuanced view on knowledge by operationalising the four learning styles that account not only for mere learning-by-doing but also other forms of sourcing relevant experiential knowledge. While some studies (see Forsgren 2015) address imitative learning from competitors or learning from various business networks, there is practically no research that explicitly demonstrates what it actually is that key decision-makers learn through these channels.

The contribution of this thesis is very much in line with the call by Welch et al. (2016) to study complex interdependencies and causal loops of processes. By studying the micro-foundations of experiential learning this thesis reaffirms that the core engine of the internationalisation is the individual’s ability to make decisions based on imperfect knowledge under uncertainty. The pathway to knowledge is a key to understanding how

key decision-makers form their perceptions of foreign market opportunities. This pathway is operationalised in this thesis through the learning modes/styles prescribed by Kolb's Experiential Learning Theory. And, the knowledge development processes related to the internationalisation were tracked over a period of time (as suggested by Welch et al., 2016). By studying the impact of micro-processes over a period of time this thesis allows not only descriptive but also causal theorising.

The Table 6.1 below summarises how evidence provided as part of this thesis supports the behavioural approach to studying the internationalisation process.

Table 6.1: Reflecting on the behavioural approach to studying the internationalisation of firms.

Behavioural assumptions (as stated in Vahlne and Johanson (2013))	Evidence within the thesis supporting the behavioural assumptions
Bounded rational decision-making, influenced by effect	Intuition and human-based judgement cluster on the same leaf of the dendrogram (Section 5.3.8)
Connected nature of firm and trust-based exchange relationships developed over time	Trust and business networks cluster on the same leaf of the clustering dendrogram as foreign market commitment (Section 5.3.8)
Firm growth through developing opportunities	Case history timelines depict sequences of events that trigger experiential learning and therefore impact the decision-maker's perception of internationalisation opportunities (Section 5.2)
Commitment beyond resource investment	Each case study examined experiential learning efforts of the key decision-makers to identify within-mode internal change of the 'opportunity horizon' (see Section 5.2 and Section 2.5 for relevant literature).

Source: (Vahlne & Johanson, 2013; Welch et al., 2016)

Choice of the field of study – Australian services SMEs

This study addressed existing concerns about how little is known about experiential knowledge of services SMEs (see Brown et al., 2003; Contractor et al., 2003; Knight & Kim, 2009; Knight & Liesch, 2002; Nummela et al., 2006). According to Rosenbaum and Madsen (2012) there are only 14 empirical studies that broadly analyse the foreign

market commitment of services firms. Out of the 14 only 6 consider the role of networks and none explain the role of experiential learning as part of the internationalisation process.

This thesis responds to a call in the 2012 special issue of *Service Industries Journal* to study the importance of antecedents of international expansion, processes of foreign market selection as well as determinants of market entry modes (see Apfelthaler & Vaiman, 2012: 1591; Rosenbaum & Madsen, 2012: 1656). Services firms are distinct from those in the manufacturing sector and it is misleading to assume that their internationalisation processes are the same. Bingham & Eisenhardt (2011) suggested looking into other literature domains to derive externally valid theories on the internationalisation of services companies. This thesis did exactly that by incorporating Kolb's Experiential Learning Theory as part of the conceptual framework and analysis. As argued by Rosenbaum & Madsen (2012), who reviewed empirical evidence on services firms in the last 20 years, to date there are no studies that examine the types of knowledge in relation to experiential learning and its influence on foreign market commitment.

These findings compliment the single case study by Scott-Kennel and von Batenburg (2012) who reported that experiential learning is fundamental for continuous international expansion and mainly lies at an individual level.

Beyond a basic understanding of foreign market commitment

Pauwels and Matthyssens (1999: 13) argued that the international business literature evolved towards a three-dimensional conceptualisation of market commitment and future studies should examine the internationalisation process beyond a simple choice of the market entry mode. The review of the literature in Section 2.5 as well as the recent publications in the field (e.g. Welch et al., 2016; Welch & Paavilainen-Mäntymäki, 2014) indicate that there is still a strong bias towards variance-based studies. And, due to the nature of variance-based research, these studies do not address subjects that require a multidimensional conceptualisation of market commitment. As illustrated in Chapter 5 and Figure 5.19, the micro-foundations of experiential learning are unlikely to be evident from firm-level numerical data. The experiential knowledge rests with relevant individuals and, as seen from most of the case studies in this thesis, there is no

evidence of firm-level routines that reflect the core of the internationalisation decision-making.

The theoretical argument that foreign market commitment is determined by the knowledge of a foreign market opportunity at a given point in time is not new (see Johanson and Vahlne, 1977). However, this thesis contributes a more in-depth understanding of the experiential knowledge and accounts for relevant experiential learning processes as well as wider nuances such as relationships, interactions and contexts, which all impact the process of experiential learning.

Accessing experiential knowledge through relevant business networks and building trust

Further, tacit experiential knowledge cannot be transmitted to other individuals unless it is articulated into an explicit form (Nonaka, Takeuchi, & Umemoto, 1996), it produces subtle changes in individuals but remains intrinsic and cannot be separated from them. While this is true, this research shows that individuals can ‘transmit’ their experiential knowledge through mentoring either within the organisation or as part of a broader business network (see Sections 5.2.3 - 5.2.5 for relevant examples). Moreover, the sequence analysis results point out that trust is essential in forming a business relationship throughout the internationalisation process. Essentially, the level of trust will determine whether the decision-maker can rely on the information or advice provided by another individual. Section 5.2 already demonstrated that in most instances trust was established prior to signing a deal or working with an agent in foreign market.

How experiential knowledge affects the foreign market commitment – a true process approach

The key contribution of this research is the analysis of experiential learning processes that influence foreign market commitment decisions. Section 2.2.2 demonstrated that there are multiple models of the internationalisation process and yet none of them can explain the actual internationalisation path of firms. The innovation-related internationalisation models, systematic planning, and the contingency perspective studies (discussed in Section 2.2.2) suggest that path-breaking internationalisation takes place because of knowledge accumulation. Eriksson et al. (2000b) have argued that there is no empirical research that explicitly investigated this issue. The seven case histories (Section 5.2) demonstrated how new experiential knowledge affected the

internationalisation path of Australian services SMEs. And Section 5.4 illustrated that the relationship between experiential knowledge and foreign market commitment is not always linear. This is most evident when market commitment is captured as a multidimensional construct that reflects relevant context as well as the perceived opportunities and risks.

Lee et al. (2004) claimed that there is no convergent understanding of the internationalisation process of firms. And Anderson (1993) concluded that neither Uppsala, nor innovation-related models explain how internationalisation begins and how experiential learning affects the commitment of resources by firms offshore. Jones, Coviello, and Tang (2011) also agreed that the vast majority of international entrepreneurship literature is focused on comparing different types of ventures. A recent study by Chandra (2017) again stimulates scholars to synthesise internationalisation models. This thesis shares the same vision as the abovementioned studies – it is inevitable and obvious that the experiential knowledge of key decision-makers underpins their perception of foreign market opportunity and therefore experiential learning is the key mechanism driving the internationalisation process of firms.

This research does not aim to present a different model of internationalisation. Instead, this thesis reasserts that throughout the internationalisation timeframe change processes are continuous (i.e. experiential learning, building business networks and trust), while market commitment decisions are intermittent (i.e. market entry mode and firm-level degree of internationalisation). This is synonymous with the opinions expressed by Johanson and Valne (2014) and their earlier publications. At the same time, this research explained instances where the experiential learning process can be discontinuous. Section 5.4 explained how key decision-makers may re-learn and in some instances form an overconfident perception of the market opportunity. This complements the position of Leisch (2013), who argues that the discontinuous nature of the internationalisation process and learning should be considered in future research. This study expands on the experimental evidence provided in Camerer and Lovallo (1999) by arguing that overconfidence is directly related to the decision-maker's prior learning choices. Most importantly, this research applies a true process methodology to capture the time-sensitive nature of the internationalisation decision-making, reflecting

on the vision shared by Chandra (2017) and Welch and Paavilainen-Mäntymäki (2014).

This research complements the directions of research indicated by Sharma and Blomstermo (2003), Welch and Paavilainen-Mäntymäki (2013, 2014), Leisch (2013) and Welch et al. (2016). This thesis not only identifies patterns or phases of how experiential learning processes construct a perception of the foreign market opportunity, but also provides empirical evidence to explain why these patterns occur. The findings emphasise the complex, non-linear and dynamic nature of the internationalisation process.

No evidence of institutionalising critical experiential knowledge

Contrary to expectations, there is no evidence to suggest that absorptive capacity plays a critical role throughout the internationalisation process at least in small and medium sized professional services companies. The case study analysis shows that Australian services SMEs do not institutionalise routines that relate directly to the internationalisation process. Even so, the internationalisation process of services firms is still history-dependent (as suggested by Johanson and Vahlne, 2013). The most critical information and knowledge are sourced at the micro-level where the key decision-makers are involved. By the time experiential knowledge forms part of an organisational routine it is most likely that there will be new developments that are more critical for the internationalisation. And, future success of the internationalisation attempt primarily depends on the key decision-makers' ability to acquire new knowledge in order to recognise environmental change and respond effectively.

Even though Zahra and George (2002) proposed to view absorptive capacity as a multidimensional and fluid path of knowledge acquisition there is no evidence to suggest that it plays a role in the internationalisation process of Australian services SMEs. While external knowledge sources acquired through contractual agreements (internationalisation stages 1-2), inter-organisational relationships (joint-venture, internationalisation stage 3) may lead to relevant experiential knowledge, the ability to realise this knowledge rests with the key decision-makers. This research followed the advice of Zahra and George (2002) to identify the role of individual capabilities or 'individual absorptive capacity' as part of the internationalisation process. This thesis

demonstrates how individuals develop a perception of a foreign market opportunity before change processes are evident at the firm-level. This thesis extends the understanding of absorptive capacity by demonstrating what knowledge and critical events are the prerequisites for foreign market commitment.

Detangling messy internationalisation – reconstructing a causal chain of events

Welch and Piekkari (2017: 723) argued that it is important to make space for creativity, experimentation and pluralism at the doctoral level. This research followed these steps by incorporating a process perspective on the internationalisation of Australian services SMEs and utilising the sequence analysis method. The contribution of this study to the literature is also best explained with reference to Outhwaite (1987:7-12) who critiqued the positivist ‘law-explanation orthodoxy’. In practice, by reconstructing a causal chain of events this study followed a historical approach (see Section 5.2). The timelines that were presented as part of case history analysis demonstrate connections between discrete internationalisation steps and provide relevant explanatory narrative. As argued by Calhoun (1998: 860), ‘theory cannot escape history’ and our explanations of the internationalisation process also include references to relevant spatiotemporal context, which is in line with the recommendations of Abbott (1998) to account for ‘social time’ and ‘social place’. This research effectively presented a combination of conditions that are required to achieve successful internationalisation rather than seeking to measure a net effect of an isolated variable. This study exemplified how a single variable may have a very different effect depending on the configuration of variables in each specific case. See for example Section 5.3 and 5.4 that explain overconfidence and misleading perception of a foreign market opportunity.

6.4 Methodological limitations and strengths of the study

This study is not without its limitations. First, the case studies, timelines and sequence analysis are primarily based on the decision-makers’ recollections of the internationalisation process, which inevitably raises the problems associated with the respondents’ memory recall. To overcome this limitation the sampling process targeted firms that are still undergoing the internationalisation process in a relatively new market. Furthermore, this limitation is partly addressed by interviewing multiple informants/decision-makers, reviewing archival data from public media sources,

company publications and reports, as well as recollections of other individuals that were assisting with the internationalisation at the time (e.g. local business community and the state government trade/investment facilitation agency). As much as possible, this study aimed to triangulate the perspectives of key decision-makers to ensure better validity and reliability. Alternative accounts by other employees were considered to avoid the overreliance on a single decision-maker (see Section 5.2.2).

Second, this study is based only on seven case studies that do not allow for statistical generalisation. However, this study has no intent to generalise the results to a population. Instead, this research is focused on the in-depth analysis of each internationalisation case to unveil the interplay between the decision-maker's experiential knowledge and the foreign market commitment. Each case presents a unique set of circumstances that demonstrate the complexity of experiential learning and foreign market commitment decisions under uncertainty. The seven cases provided sufficient evidence to achieve a theoretical saturation and form analytical generalisations.

Third, aspects of longitudinal research were captured in this thesis through the study of archival data. This helped to capture the information depicting processual change over time. Nonetheless, this aspect can be further improved by having a closer engagement with the participants to allow for field observation and a collection of a broader range of data.

Fourth, there are no established best practices for the application of the sequence analysis method specifically in the field of international business. Even so, this research followed the guidance from relevant studies in sociology and political science. The results were tested with several different clustering algorithms (average, centroid and Ward's method), which delivered very similar clustering results and suggests that there is a latent structure in the data. Further, the project dropped two case studies from the analysis and the underlying results still identified the same items/codes (i.e. learning processes, business networks and trust) as part of one cluster. This shows that there are strong natural clusters in the collected data.

Finally, the investigator's bias where possible was resolved by having an on-going consultation with academic supervisors and other researchers, especially in relation to

the interpretation of the case history timelines and the key sequences of events, before achieving a consensus on the final interpretation of the results presented in this study.

6.5 Overall conclusions

This thesis makes a significant contribution to the theory, methods and practice of international business. First, the key contribution of this thesis is the application of a true process approach to studying the role of experiential knowledge in foreign market commitment. This study builds on the gaps identified by Welch and Paavilainen-Mäntymäki (2014) and Welch et al. (2016), who claimed that to advance the existing theory it is essential for future studies to go beyond a variance-based approach to examine the micro-foundations or the subsequences of the internationalisation process. This is in line with the underlying motivation and the implementation of this study.

This thesis explained that the internationalisation process and foreign market commitment require decision-makers to prioritise the active experimentation region of the learning space. Yet, there is also evidence to suggest that the overreliance on one learning style may lead to overconfidence. Therefore, it is critical for decision-makers to touch other bases of learning, engage in re-learning and source new information to identify environmental change. Acting based on intuition or “gut feel” as referred to by many research participants is in line with the accommodating learning under the Kolb’s Experiential Learning Theory, where “feeling” is formed by the prior experiences of the decision-maker and is considered as part of the learning process for the purposes of this research.

Further, this thesis demonstrates that experiential knowledge, which underpins the decision-maker’s perception of foreign market opportunities, is highly idiosyncratic. This is further supported by the specific set of capabilities that individuals develop as part of their past learning experiences. While this viewpoint resonates with the experimental findings in Buckley et al. (2007), this thesis utilised historical research methods (e.g. production of timelines, text and narrative analysis incorporating relevant spatio-temporal context) to reflect how experiential knowledge and foreign market commitment evolve over time (as suggested in Buckley, 2016). This thesis took a step forward to explore a more complex and interconnected nature of the internationalisation process by focusing specifically on individual decision-makers.

Second, this study not only relied on longitudinal case studies but also conducted the sequence analysis of interview narratives (a similar approach to content analysis was applied in Chandra (2017)). Effectively, it followed the suggestions by Abbott (1990) to implement sequence analysis as part of studying a time related phenomena. Encapsulating time within the analysis and methods was critical to explain how experiential learning processes had unfolded throughout the internationalisation process.

Third, this thesis presented a practice-oriented assessment of seven internationalisation pathways – depicting the issues and strategies implemented by the key decision-makers that were critical for the internationalisation success of their firm. The practice of international trade and investment facilitation may benefit from a better understanding of the specific constraints faced by the Australian services SMEs. This thesis confirms that experiential learning and knowledge transfer processes are the key to the operationalisation of relevant foreign market opportunities.

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Appendix A: Variations of Internationalisation Process

	Experiential Learning (Outcome-based models)		Systematic Planning	Contingency Perspective
	Uppsala Model	Innovation-Related Models		
Internationalisation Process	The cycle of four self-reinforcing components: market knowledge, commitment decisions, current activities and market commitment. Assumed incremental learning which leads to market commitment.	A sequence of stages, adopting new technologies Internationalisation decision is associated with innovation for a firm.	The Internationalisation process is a systematic step by step planning process.	Accelerated Internationalisation process, chaotic and no predictable order Internationalisation process depends on context (various internal and external factors).
Time of Emergence	Early and mid 70s	Late 70s and early 80s	Late 80s and early 90s	Mid and late 90s
Theoretical Foundation	Behaviour theory of the firm: Bounded rationality and uncertainty Internationalisation is embodied in a process of organization learning and adaptation Internationalisation decision is associated with experience		Classic economic theory of perfect rationality. Assume perfect information availability and a firm can evaluate all the opportunities to pursue maximum utility.	Contingency theory Combination of economic rationality and managerial behaviour.
Representative Studies	1. Johanson & Wiedersheim-Paul (1975), 2. Johanson & Vahlne (1977)	1. Bilkey and Tesar (1977) 2. Czinkota (1982), 3. Cavusgil (1980, 1984) 4. Cavusgil and Sikora (1987), 5. Cavusgil and Zou (1994), 6. Reid (1981)	1. Miller (1993) 2. Johansson and Yip (1994); 3. Yip et al. (2000)	1. Welch & Welch (1996) , 2. Coviello and Munro (1997) 3. Jones (1999)
Sampling	1,. Observations of four Swedish companies in a few industries (steel, pulp and paper, pharmacy and engineering)	Diversity of samples including small and medium-sized firms in manufacturing industries 1. 423 Wisconsin (US) firms - Empirical, longitudinal; behavioural approach 2. 237 Ohio firms – Empirical; behavioural approach.	Diversity of samples including medium-sized firms in various industries: 1. Discussion 2. 68 US SMEs;	European small and medium-sized firms in various industries:
Type of research	Empirical, longitudinal Discussion on the basis of Johanson and Wiedersheim-Paul (1975) data	Empirical, longitudinal (behavioural approach), discussion-based	Interview and mail survey	Historical, longitudinal research

Generalizability	Firms of any size, early stages of Internationalisation. Some studies suggest that the Uppsala model is not applicable to international entrepreneurship	Firms of large and small sizes. Models in this category may be more suitable for SMEs (Eriksson et al. 1997).	Firms of any size, but less viable for SMEs. Limited validity in volatile business environment.	SMEs
Managerial implications	Experiential learning and adaptation are particularly important in an international market of high uncertainty. SMEs may follow the leaders and/or partners to reduce the cost of “muddling through”.	Innovation adoption is essential to the Internationalisation of the export driven firms. Exporters need to make different adaptations at different stages of international expansion.	Systematic strategic planning may be viable for well established firms. Limited applicability to SMEs.	Contextual factors (e.g., initial resources, networking condition with stakeholders, marketing strategies, industry characteristics) affect a firm’s Internationalisation process. Yet, firms might ignore these factors. For SMEs, contingency perspective is appropriate due to their resource constraints and strong motivations.

Adapted from Li, Li, and Dalgic (2004)

Appendix B: Professional services firms and internationalisation entry modes

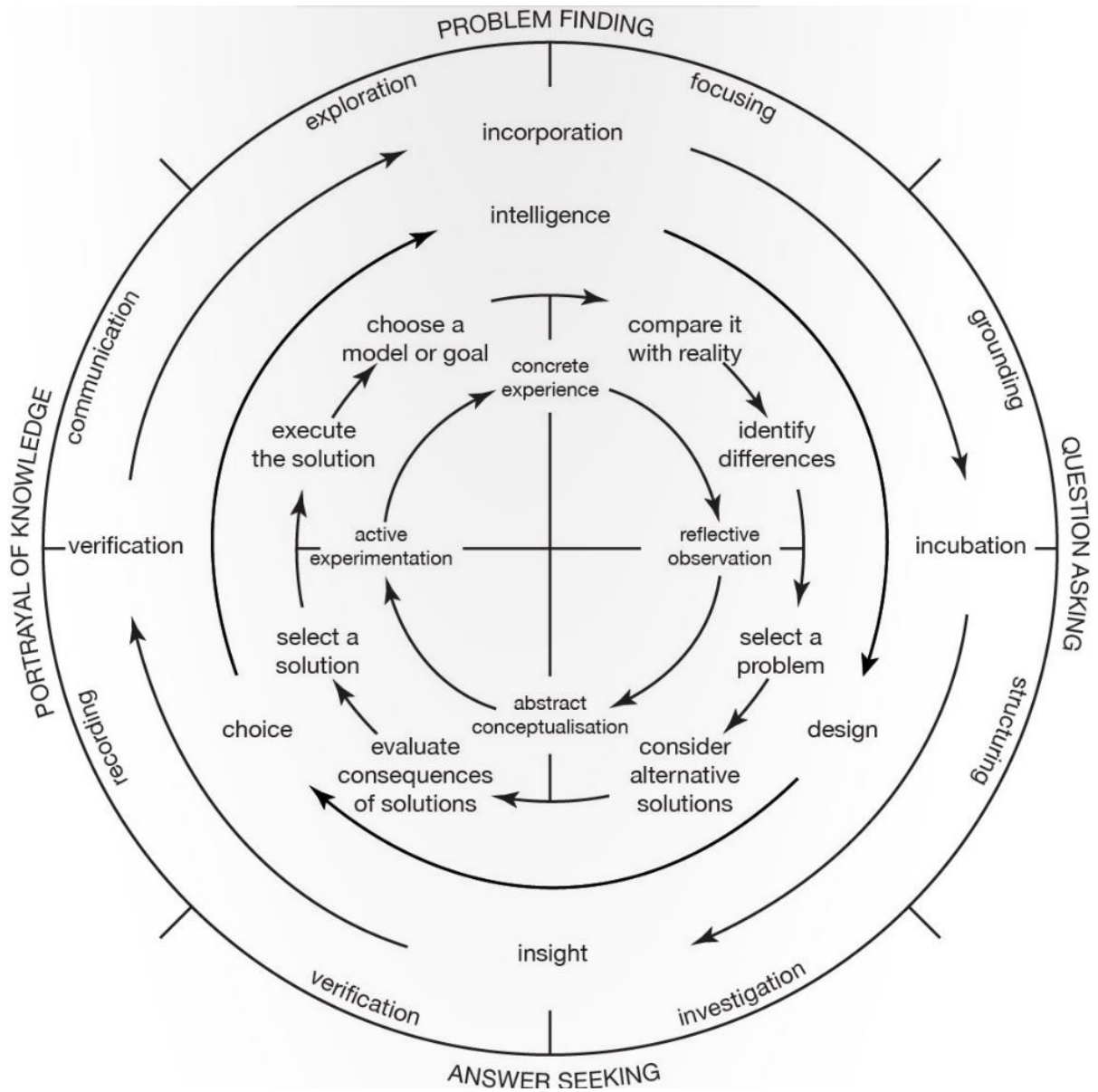
Author and Publication year	Sector	Theory/conceptual lenses	Method	Key findings
Coviello and Martin (1999)	Engineering consultancies	Examine the role of social and technical networks in the internationalisation process of New Zealand engineering consultancies	Comparative case study	Networks facilitate the internationalisation process by reducing psychic distance. In terms of entry mode, firms seek to maximize control and internalize firm-specific assets
Erramilli and Rao (1993)	Broad range of business and consumer services	Extend TCE framework to examine entry mode choice for service firms	Survey data	Service firms tend to prefer higher control modes with increasing asset specificity, and this tendency is positively related to degree of inseparability. The greater the degree of inseparability, the more service delivery is location-bound
Faulconbridge (2007)	Law firms	Examines the extent to which UK law firms use networks to internationalize	Comparative case study	Emphasizes the role of relational networks in providing transnational service offerings
Freeman et al. (2007)	Law firms, management consultants	Use network theory to examine foreign market entry decisions	Comparative case study	Find strong support for the role of networks in the process of selecting foreign markets
Gluckler (2006)	Management consulting	Uses network theory to highlight the shortcomings of conventional foreign direct investment theories focusing on firm-specific factors	Semi-structured interviews and survey data	Finds strong support for the role of relational networks in both the decision to enter foreign markets and choice of modal form
Malhotra (2003)	Engineering consulting	Use TCE to examine entry mode choice to mitigate the threat of opportunism in 20 engineering consultancies based in Canada and the US	Comparative case study	Expands the traditional literature by emphasizing the range of entry mode options actually available to protect knowledge, thus, providing a greater degree of strategic flexibility than hitherto proposed

O'Farrell et al. (1998)	Engineering consultants, management consultants, market research, computer services, and product design	Investigate the timing of foreign entry, the location of first foreign market, and choice of entry mode of different business service firm industries in the UK	Survey data	Find no significant relationship between industry and entry mode choice, but find some subtle differences. Engineering consultancies are most likely to prefer either joint venture or piggyback entry (as a subcontractor to another firm)
Patterson and Cicic (1995)	Various service industries including PSFs engaged in 'location-bound customized projects' characterizing engineering consultancies	Propose a classification framework for the internationalisation paths (including entry mode profiles) of Australian firms in different service sectors	Survey data	Firms engaged in 'location-bound customized projects' require considerably more continuous contact with partners/clients for successful service delivery; high customization requires significant face to face contact and executional latitude on part of service provider
Philippe and Le' o (2011)	Engineering (technical) consultancy, management consultancy, logistics, and operational services	Assess how technological (ICT) advances (providing a measure of control over operations) affects the choice of foreign entry mode for French-based business services firms	Survey data	Developments in ICT may offer better quality-control operations in foreign markets, but there are sector-specific limitations. Engineering and management consulting firms still prefer face-to-face relations as safeguard/control mechanism
Roberts (1999)	Advertising, accountancy, management consultancy, and computer services firms	Investigates the extent to which the stages model of internationalisation can be applied to PSFs	Survey data	Finds support that PSFs follow the stages model in their internationalisation processes
Segal-Horn and Dean (2007)	Law firms	Examine organizational changes in UK law firms arising from increased international M & A activities	Comparative case study	Find that managers need to change their mindsets in increasingly globalized law firms e.g. adopt common policies to maintain

				internal consistency
Sharma and Johanson (1987)	Engineering consultancies	Examine internationalisation paths of Swedish technical consultancies	Comparative case study	International orientation and experience (rather than resource commitment) are main drivers in internationalisation process. The role of networks is especially important in this process. Firms choose different entry modes based on degree of host market visibility sought
Sluyterman (1998)	Accounting firms	Describes the internationalisation paths of Dutch accounting firms	Archival case study data	Describes the need to retain control over knowledge as explaining preference for control in entry mode decisions
Strom and Mattsson (2006)	Management consultancies	Explore the drivers of internationalisation for Japanese PSFs entering the UK	Survey data	Emphasize the role of domestic keiretsu network connections in the international activities of Japanese PSFs

Adapted from Rosenbaum and Madsen (2012)

Appendix C: Kolb's diagram of similarity among conceptions of basic adaptive processes



Adapted from Kolb (1984: 34)

**Appendix D: Relevant literature on the internationalisation process of firms,
knowledge formation and learning processes that have formed the research
questions**

RQ 1: What is the experiential knowledge of professional services firms?

Chandra, 2007; Eriksson *et al.*, 1997; Sandberg, 2013; Ramaswamy *et al.*, 1996; Bingham and Eisenhardt, 2011; Apfelthaler and Vaiman, 2012; Sharma & Johanson, 1987; Brown *et al.*, 2003; Knight & Kim, 2009; Scott-Kennel & von Batenburg, 2012; Von Nordenglycht, 2010;

RQ 1a: How does it develop over time, where does it reside and what constitutes the stock of experiential knowledge?

Development over time, pre-internationalisation, prior historical context, variance of the internationalisation path, etc.: Andersen, 1993; Forsgren, 2002; Hedlund & Kverneland, 1985; Millington & Bayliss, 1990; Chandra, 2007; Oviatt and McDougall, 1997; Jones & Khanna 2006; Madsen & Servais, 1997; Sharma & Blomstermo, 2003; Liesch, 2013; Johanson & Vahlne, 2003; Hadjikhani *et al.*, 2014.

Managerial knowledge and choices as a source of change in the internationalisation establishment path, individual capabilities and knowledge:

Lam and White, 1999; Tan & Meyer, 2010; Crossan *et al.*, 1999, Baum *et al.*, 2000; Li, 2010; Jones & Coviello, 2005; Vahlne & Johanson, 2013; Todorova & Durisin, 2007; Zahra & George, 2002; Argote and Ingram, 2000; Karlsen *et al.*, 2003; Felin *et al.*, 2012; Child & Hsieh, 2014; Vaiman, 2008; Nonaka, 1994; Awuah *et al.*, 2011

Organisational structures and routines constitute relevant experiential knowledge:

Van den Bosch *et al.*, 1999; Eriksson *et al.*, 1997; Zahra & George, 2002; Karlsen *et al.*, 2003; Park and Harris, 2014

RQ 2: What is the role of micro-processes in acquiring, accumulating and analysing experiential knowledge advantages for strategic purposes?

Abbott, 1990; Welch and Paavilainen-Mantymaki, 2014; Ericsson, 2008; Felin *et al.*, 2012; Argote and Ingram, 2000; Karlsen *et al.*, 2003; Malhotra *et al.*, 2006; Hitt *et al.* 2007; Karlsen *et al.* 2003.

RQ 2a: How does experiential knowledge affect cross-border opportunity recognition and/or market commitment of professional services firms?

Johanson & Vahlne, 1990a; Johanson & Vahlne, 2006; Johanson & Vahlne, 1977, 1990b, 2009; Johanson & Wiedersheim-Paul, 1975; Vahlne & Johanson, 2013; Hohenthal, 2003; Leonidou, 1995; Oviatt and McDougall, 1997; Thomas *et al.*, 2007; Cui *et al.*, 2013; Eriksson *et al.*, 1997, 2000a, 2000b; Li, 2010; Cohen & Levinthal, 1990; Zahra & George, 2002; Barkema *et al.*, 1997; Spender & Grant, 1996; Eriksson & Chetty, 2003; Gunawan & Rose, 2014; Madhok, 1997; Lane & Lubatkin, 1998; Scott-Kennel and von Batenburg, 2012; Rosenbaum and Madsen, 2012;

RQ 3: Why do professional services firms choose to internationalise: alone (exports/greenfield venture) or through partnerships (export through an agent/joint venture)?

RQ 3a: How professional services firms are using experiential knowledge gained alone or through partnerships?

Scott-Kennel and von Batenburg, 2012; Rosenbaum and Madsen, 2012; as well as the Uppsala publications already mentioned above.

Appendix E: Interview Protocol

1. Could you please tell me the story behind your attempt to expand to _____*country*_____?
2. Who were the individuals involved?
 - a. What were their responsibilities?
 - b. What were their qualifications/capabilities/previous experiences?
 - i. Why this experience was relevant to participate in the decision-making on how to access the foreign market?
3. Why did you select _____*country*_____ for your expansion?
 - a. How did you become aware of this opportunity?
 - b. Did you consider other countries? Why?
 - c. What was the reason behind choosing _____*country*_____ over other options?
 - i. What was the *disadvantage* of other countries?
4. In _____*country*_____ what individuals/group of individuals helped you in establishing your business?
 - a. What were the institutions engaged in the process (Government, private sector, other networks)?
 - b. In what ways did they aid you?
5. What difficulties did you encounter? Could you please provide relevant instances?
6. How were the difficulties resolved?
 - a. Who were involved in resolving the barriers identified?
 - b. What processes were present/developed within the firm to assist with increasing international involvement?
7. Have there been previous attempts on the part of the firm/individuals to consider other foreign markets? Could you please describe how it went?
 - a. If unsuccessful:
 - i. What made it unsuccessful?
 - ii. In what ways did the firm deal with the failure?
8. Did you enter the market alone or [in a partnership with another firm]/[through a distributor]?
 - a. What is the current market commitment mode?
 - b. What influenced that change?
9. Please talk about how you felt at the time when you were about to enter _____*country*_____? Can you compare this to how you feel now that you have internationalised?
 - a. How did that change throughout your presence in _____*country*_____?

- b. What were the factors influencing that change?
10. How do you learn about a foreign market opportunity?
- a. Do you think you have learnt through expanding your foreign market involvement?
- i. How would you assess your knowledge of internationalisation at the time of commitment?
- ii. How do you assess your knowledge now?
- b. What facilitated your learning throughout the internationalisation process?
- i. Please provide two concrete examples that influenced your learning or potentially changed your strategic involvement in country?
11. Are there any other important issues, which you would want to mention, that underpin the business operations in this country?

Relating the interview protocol questions to relevant concepts and theories:

Interview Protocol Questions	Relevant research questions	Relevant concepts	Relevant theories
1	RQ 1&1a, RQ2&2a, RQ3	Opportunity recognition; Market commitment; Push and pull factors	The 1977 Uppsala model
2	RQ1, RQ2	Micro-level analysis; Individual-level experiential knowledge	Experiential Learning Theory (ELT), Intuiting – 4I Framework.
2a, 2b	RQ2, RQ1	As above	As above
3,3a,3b,3c	RQ2a	Decision-making process, sources of knowledge, influencing factors	Psychic Distance
4,4a,4b;	RQ2	Business networks	Johanson and Vahlne 2009, 2013 on internationalisation and externalising business networks
5, 6	RQ1&1a, RQ2	Lack of knowledge, relearning	ELT: Diverging, Assimilating, Converging,

			Accommodating
6b	RQ1a, RQ2, RQ3a	Firm-level; Feed-forward the knowledge	Absorptive Capacity Theory, 4I Framework
7	RQ1a, RQ3a	Time aspect and learning	The 1977 Uppsala model, ELT
8, 8a, 8b	RQ1a	Entry mode, time & process aspects + change	The 1997 Uppsala model
9	RQ1&1a, RQ2&2a	Experiential knowledge: foreign business knowledge (clients, markets and competitors), institutional knowledge knowledge (government, institutional framework, norms, values), internationalisation knowledge (knowledge of capabilities and resources to engage in international operations)	Eriksson 1997, 2000
10	RQ1&1a	Diverging, Assimilating, Converging, Accommodating	ELT

Appendix F: Experiential learning cycle and new knowledge learnt

Case Study	Overall things learnt
<p>Aspen Medical – setting up a Joint-Venture with the UAE Government</p> <p>[Predominantly active experimentation, concrete experience and mixed learning modes]</p>	<p><i>“Nothing happens on time. Few agreements are guaranteed. No one takes responsibility for the guy before them. So, you know, you can say, “But I had a deal. This guy did this.” Hell, it can be written down and they just go, “Yeah, but it wasn’t me.” Nothing is ever sure until the money’s in the bank.”</i></p> <p><i>“... because I said everything takes longer than you expect, that it goes on at three months which is where the initial plan was and “I’m so close, I just need another month to close that. Just only one more month after that,” and then, “Just another six weeks and I’ll get,” you know what I mean? It’s just like creeping death.”</i></p> <p><i>“but they do change their minds and they change the deal, then they go to present it to you and what’s written down isn’t what we said or, “But that’s okay, sign it and we’ll fix it later,” and it never gets fixed.”</i></p> <p><i>“Time slippages, so they don’t keep to contractual times, well not contractual times but the Emirates style way of doing business is there’s no sense of urgency is probably it. They’ve got money, they’re all well, there’s actually no one dying, there’s not that sense of urgency. It’s not like here where you’ve got to say to them get this done because this is... look how much money they’re making. So that sense of urgency means everything slips. I’ve been surprised at how dominant women are becoming in the Middle East. I find it fascinating that so many of the heads of things are female doctors, which goes against what you...”</i></p>
<p>Recruitment Systems – setting up an office (wholly-owned subsidiary) in Singapore.</p> <p>[Predominantly active experimentation and concrete experience]</p>	<p><i>“A classic one is understanding how sales people think in Singapore. That’s a very Chinese attitude. They are very, very hungry indeed but they are – the primary concern of anyone, sales people included, is family. Family, above everything. So that...”</i></p> <p><i>“Now it seems like a lot of work for little reward. I did think at the time that there was a lot of potential for tax saving. There is not because we’ve got a double taxation agreement</i></p>

	<p><i>with Singapore. I had thought that there was potential there for savings on capital gains tax because if we, as owners of the business, were to sell this business, then we're going to be paying capital gains tax. However, I didn't realise at the time that capital gains tax in Australia for small businesses is not as painful as most people think."</i></p> <p><i>"However the ATO is one step in front of people like me and there is no advantage at all with regards to tax."</i></p>
<p>XP Solutions – establishing a Joint-Venture with Cardno in the Philippines</p> <p>[Predominantly active experimentation, concrete experience and reflective observation learning modes]</p>	<p><i>"Company ownership, land ownership, is a big issue. You've got to have locals, pretty much, who... having that. I then was told that they were a 60/40 company and there was a lot of issues. In fact, when I went in there, all the staff in Cardno were actually employed by another group called Lomar. So Cardno didn't employ anybody. In fact there was about 15-odd people there, but it was all under..."</i></p> <p><i>"I found that the Cardno operation we had there, there was some issues with that operation..."</i></p> <p><i>"...hiring and firing in Philippines is... pretty hard sort of thing. "</i></p> <p><i>"... in Philippines it's very hard to then let someone go."</i></p>
<p>SYPAQ – cross-border exporting, exploring joint-venture opportunities in Singapore and South-East Asia.</p> <p>[Mixed learning mode with a focus on accommodating learning]</p>	<p><i>"What we do know is that, and what we know now as opposed to what we knew a year ago, is that at the very least there are a number of large Australian owned businesses probably more in the financial sector like insurance etcetera and banking, that actually need, we know they need our sorts of services because they buy them off us here in Australia. Now they're going to Asia and our sorts of services in any mature way don't exist there. Essentially Singapore has some of them and so we know that at least we can sell to Australian ex-pat type or multi-nationals. By talking to various -- and having looked at these two or three potential acquisitions, we know they've been selling those sorts of services into customers in Singapore, and Malaysia and Indonesia, so we know there's a market there or an emerging market. The other thing we know, as I mentioned very early in our discussion, is that we know the Asian marketplace is maturing in terms of its appetite for services. All right so and</i></p>

	<p><i>that covers all services: financial services, you know, all that sort of stuff. So we know it's a growing market and it's an emerging market and that's where we want to be and, you know, we've said we could put this off for three years, no because we'll be three years behind, if we don't do it now there'll be somebody else there and then it's not only harder but we haven't established those networks that we would have in three years time."</i></p> <p><i>"we realised that to establish ourselves in Asia for the company of our work, do it via an office in Singapore – as a starting point."</i></p> <p><i>"One of the things we need to learn about is what the labour market is like in Asia."</i></p> <p><i>"We learnt the process on how to setup the business there at home, this is the cost of doing business and tax effectiveness. We learnt about the start-up tax concessions, IT type concessions, other concessions... We source the information we need. By going there we are confirming what we understood."</i></p> <p><i>"Actually it was the knowledge about the potential in countries outside of Singapore and that we should focus on the new maturing markets – such as the Vietnam, Myanmar... They provide a reliable source of technical and qualified labour. This is the knowledge that we gained from our JV partner. Singapore should not be the primary market – I was actually quite surprised to hear that. The market in Singapore is already quite saturated in terms of what we want to do. So, we will follow that advice and will look into the developing countries."</i></p>
<p>Straker – acquisition of an Indian software development firm.</p> <p>[Mixed learning mode with a focus on accommodating learning]</p>	<p><i>"... of all of my staff, our staff, all my staff, two of them turned out to be corrupt, one was a CEO and one was the CFO. The rest of them [are loyal employees]..."</i></p> <p><i>"The CEO and the CFO... broke the law, on so many occasions it's not funny, in all sorts of areas, were responsible for identity theft, passport and fraudulent exchange irregularities, etc."</i></p> <p><i>"So when I jokingly say that corruption is endemic, and it's not endemic, I have found two people, in the whole time I've been in India, who've been corrupt, and I've lived in India</i></p>

	<p><i>before, many years ago, I had worked in India before that, and I've now owned a business there for years, I've only ever met two people that were corrupt. I suggest the likely it is that you could find two people in Canberra, you know what I mean?"</i></p> <p><i>"Probably spend more time there, probably if I look back on it and things that I could have improved upon, nothing major, that's for sure, most of it is incremental changes, so a little more time there, and again I find it difficult not to answer what would I have done differently, knowing what I have now, because having gone through such a catastrophic change, it colours my – I wouldn't have trusted my CEO as much. But again that's an individual that did that."</i></p>
<p>eWater – early internationalisation attempts, irregular export/supply of services through movement of natural persons.</p> <p>[Reflective observation – learning from a mentor]</p>	<p><i>"A bit of the politics between Vietnam, Laos, Cambodia, the Chinese influence, and..."</i></p>
<p>Straker Translations – Wholly-Owned Subsidiary in Ireland, launched a translation company as a result of supplying services to the European Commission through cross-border trade and movement of natural persons.</p> <p>[Mixed learning cycle, which is predominantly triggered by the accommodating learning mode]</p>	<p><i>"It was reasonably negative structure to have all of our resources based in Australia."</i></p> <p><i>"We didn't expect that level of customer interaction. People ring all the time. It's a bit like you can design a power point of your system all web based, no human touch. But, the reality is just not like that. We have to have people who can answer those calls and are reasonably skilled."</i></p> <p><i>"And it was a disaster because what we underestimated was the time sensitive nature of translation. I have never seen an industry where missing a deadline has such a massive impact. It's a killer blow to the client relationship and they amount of ants that you get from the customer if you are late on the translation job"</i></p> <p><i>"The fact that we are selling the speedy delivery is not an accident. It's something we learnt through.. We took some enormous hits in terms of just the real issues. You might have four translators working on a project, one is sick that day... it</i></p>

	<p>is very fluent. So, having the project team in the wrong time zone just destroyed us. What they do is batch up a job somewhere to five translators in a day and then translators are having problem logging into the site...”</p> <p>“...he was up all night trying to get knowledge out of the guys. He had task to achieve. And, most companies don't document every single item and we definitely don't. We are doing release cycles every 5 days. You can't, and there is no point in writing a 70 page document. So, so much of the knowledge was sitting on the guys down in South hemisphere that he just went out of his mind. He was trying to achieve sth and would take him 7 hours trying to work his way around it. When they can show him a 5 minute how to do it at 8pm at night. And so, it just wasn't effective and we weren't and aren't structured enough to do that.”</p> <p>“The mistake that we made was that we thought that we could make them to go faster, but turns out that they will only go faster if they can and they won't if they can't. So, just let them go, they'll translate at their natural rate.”</p> <p>“The translation industry is a 30bn industry, there has to be a way how we can apply our skill set and technical capabilities ... And then we naively came to the conclusion that we can probably do it It's been a reasonable challenging couple of years and I think we are starting to get it right now.”</p>
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Appendix G: ANU Human Ethics Protocol Clearance

Genrikh Salata

From: aries@anu.edu.au
Sent: Thursday, 22 December 2011 10:41 AM
To: Genrikh Salata
Cc: Pierre van der Eng; Human.Ethics.Officer@anu.edu.au
Subject: Human Ethics Protocol 2011/633

THIS IS A SYSTEM-GENERATED E-MAIL. PLEASE DO NOT REPLY. SEE BELOW FOR E-MAIL CONTACT DETAILS.

Dear Mr Genrikh Salata,

Protocol: 2011/633
Business Relations Between Australia and Europe: A Firm-Level Assessment

I am pleased to advise you that your Human Ethics protocol received approval by the Chair of the Humanities & Social Sciences DERC - on 21/12/2011.

For your information:

1. Under the NHMRC/AVCC National Statement on Ethical Conduct in Human Research we are required to follow up research that we have approved.
Once a year (or sooner for short projects) we shall request a brief report on any ethical issues which may have arisen during your research or whether it proceeded according to the plan outlined in the above protocol.
2. Please notify the committee of any changes to your protocol in the course of your research, and when you complete or cease working on the project.
3. Please notify the Committee immediately if any unforeseen events occur that might affect continued ethical acceptability of the research work.
4. Please advise the HREC if you receive any complaints about the research work.
5. The validity of the current approval is five years' maximum from the date shown approved. For longer projects you are required to seek renewed approval from the Committee.

All the best with your research,

Leanne

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